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**LABOUR DEPLOYMENT AND SEGMENTATION IN  
THE UAE WITH PARTICULAR REFERENCE TO THE  
CONTRIBUTION OF FOREIGN WORKERS TO THE  
LOCAL ECONOMY**

**SHEIKH MUHAMMAD MUSALLAM  
SALEM BIN HAM**

A thesis submitted in partial fulfilment of the University of Kent  
requirements for the degree of Doctor of Philosophy

**July 2006**

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Muhammad Musallam Bin Ham  
3<sup>rd</sup> July 2006.

## ABSTRACT

This thesis examines the efficacy of the government's current policy in the United Arab Emirates (UAE) designed to reduce dependence on non-UAE labour by increasing the number and spread of UAE nationals in the workforce. Foreign labour includes all those workers who enter the country on resident's visas and are issued with labour cards entitling them to work for a particular employer. It is the declared policy of the UAE government, at all levels (and in both local and national government) that there should be a reduction in the numbers of foreign workers employed, and the target is to halve the present total by 2010.

The thesis relies on evidence from primary sources at all levels in the political, occupational and social domains, but whatever sector the research informants represent, they are mainly at the levels of decision makers, and opinion formers; politicians (of the Ruling Families), senior businessmen and industrialists in the public and private sectors and senior Civil Servants at the Under Secretary level.

The thesis seeks to challenge the Government's assertion that it can afford to reduce the ex-patriot component of the labour force by half and still sustain steady economic growth. Many informants supported this view with comments like '... we will be overrun with foreigners', '... it is our country, why should we share our wealth with those who have no commitment to the Muslim states' and 'they come here, take jobs away from locals and then send the money out of the country'. Conversely, an Under Secretary at the Abu Dhabi Municipality stated, "...our birth rate is high and will get progressively higher and this will filter into the labour force before long". The views expressed here were all tested in the research and found wanting. Based on the evidence, all these arguments can be rebuffed and therefore with it goes the credibility the Government's view of sustaining steady economic growth with half the numbers of ex-patriot workers. For example, the Under Secretary's view that the national birth rate will eventually neutralise the contribution ex-patriots are making to the economy, has he taken into consideration that the recent abolition of the Marriage Fund may reduce the marriages of locals to each other and therefore impact on the 'national' birth-rate. Will the offspring of a national woman and a Philippino father be regarded as nationals? When there are no manual workers to fill construction

jobs, which locals refuse to do. Who will work on the construction sites which presently serves to sustain the economic growth and attract foreign investment? Where will the essential skilled knowledge workers come from? The evidence from the Head of Human Resources at Etisalat is that although there are an abundance of colleges in UAE for technical training, he still has to go to India to recruit technicians. The UAE sustains one of the highest standards of living in the GCC area. As a free trade area (shortly to initiate a single currency policy), there will be a major surge of many workers from less developed countries attracted by the higher standard of living in UAE and then the suggestion is to extend the Union beyond the present countries to undeveloped countries like Sudan, Somalia, Egypt, etc.

The chapters, individually and collectively serve to explore in depth the substance of the Government's assertion. That is the vision of Emiritisation by the year 2010 when the local labour force will be able to sustain the present levels of growth without excessive foreign labour. Suggestions are highlighted and recommendations made on how this growth can be sustained, but the evidence gathered supports the view that the focus should shift from numbers of ex-pats to the cultural and attitudinal changes of the local which need to be made when the jobs in the public sector no longer exist. Changes such as locals preferring to be unemployed than to taking jobs in the private sectors, the role and function of women's participation in the labour force, a shift away from traditional Islamic values by the young and an increase in crime, drug abuse, alcoholism and car accidents. All anathema to the dictates of the Holy Koran and to the older, pioneering generation, generally. These variables will all be researched in depth by the use of qualitative methods and used to establish the conclusions and support the recommendations.

**INTRODUCTION**



### **1. A Problem-Orientated Study – the Research Objectives**

The key research issue is identified as the position of local and foreign labour and their involvement in the private and public sectors of the economy. But on the periphery of this principal research issue lies other issues which cannot be totally separated such as the perpetuation of the traditional Islamic/Arabic culture, the composition of the labour force and the reliance on expatriate labour, privatisation, globalisation and the need to attract foreign direct investment (FDI) and the impact of these forces on the work ethic of nationals, the present shortage of technical skills, the status of women, the growth of the population and the high unemployment among nationals, the rising crime rates and the incidence of alcoholism and drug abuse among the young male Muslims. There will come a time soon when the laws of diminishing returns are triggered in the economy and the current reliance on the riches obtained from high oil prices will not continue into the foreseeable future. The present scenario of exploitation of the rich oil and gas reserves in the area will not be available to be used as the 'cash cows' to fund the future diversification of the economies. Oil prices at present (due to the occurrence of war in Iraq) are at a twenty-year high, and there are still a number of states (Saudi and Bahrain) that will be running a budget deficit in this fiscal year. The impact of the WTO and ILO on the problems areas mentioned above needs to be considered and evaluated. As usual, the imposition of external social, economic and market forces will bring about the necessity for structural change and, as usual, the political administration will have very little control over these external forces.

### **2. Research Questions**

This study involves researching the utilization and segmentation of labour in the UAE during times of rapid and far reaching change. Inevitably, a number of questions arise from surveying the contemporary scene in UAE and these are encapsulated by the following:

- Where is the economy heading beyond the age of near total reliance on oil revenues?

- Why has the government decreed that the number of foreign workers should be reduced by half by the year 2010 and similarly the GCC by 75 percent by the year 2015?
- What will the impact on the UAE economy be if these targets are met?
- Will it be possible to sustain the present rate of economic growth?
- What will happen to the rising unemployment of locals?
- If foreign workers occupy 93 percent of jobs in the private sector, why haven't the locals relocated from the public sector?
- Do foreign workers undermine or diminish the Arabic or Islamic culture of the area?
- Why, when the principle of equality of women in employment is enshrined in the constitution, it is an issue that is prominent in the teachings of Islam, and it is supported by the Ruling family in UAE, are local women treated differentially in the labour market?.
- Why, when the ILO has set out its 'Principles' of equality and fairness (Appendix 6), is there a considerable gap between the working conditions of locals those applied to the foreigners?
- What will be the impact on the foreign worker if outside agencies such as the WTO, ILO, GCC, etc. enforce their regulations; for example in the provision of subsidies to locals?
- Will the economy be able to sustain and prosper without the supply of a large, cheap, labour force if government and GCC targets are met?
- One of the enticements for attracting of FDI is a large pool of surplus labour. Will the UAE still be a popular location for foreign investment?

### **3. Aims and Objectives for the Study**

**Principal Aim:** The principal aim for this study is that research is undertaken which will evaluate the contribution made to economic growth by the foreign workforce and to forecast the impact on the UAE economy if the government achieves its target of reducing the number of foreign workers resident in UAE by half by 2010.

#### **Objectives for the Study**

- To investigate the contribution of foreign workers to the labour force and extrapolate this contribution to beyond 2010

when the government targets are to reduce the foreign labour force by half.

- To research government policy in relation to its plans for the employment of locals and foreigners.
- To forecast and evaluate the impact on the economy without employers and investors having access to the large contingent of cheap foreign workers.
- To test the relationship of other government policies such as privatisation, diversification, globalisation and the need to attract FDI (Foreign Direct Investment) to the availability of foreign workers.
- To analyse the Human Resource methods employed by 10 case study companies in relation to their handling of locals and foreign workers.
- To assess the potential loss of performance of employing staff without providing development opportunities, appraisal schemes, skills gap analysis and motivation.
- To examine the role of local women and their contribution to the UAE labour force.
- To highlight inequalities in job opportunities and career development between the male locals and the female counterparts and make recommendations to the government on ways of making the employment situation more equitable whilst conforming to the traditional culture and UAE employment law.
- Construct an instrument of evaluation to test the relative effectiveness of the human resource strategies of the 20 case study companies.
- To test the research hypothesis using qualitative and quantitative methods, investigate the strengths and weakness of both, predict and forecast by using structured interviews with influential and knowledgeable key informants and 20 case studies.
- Establish a credible case to put before government to persuade it to change policy in relation to the employment of foreign nationals, and make recommendations to show that the segmentation between public and private sectors can be reduced.

#### **4. Purpose of Study**

In the light of the rapid pace of changes, which have occurred in the Gulf over the past quarter of a century, this study seeks to predict the direction that the society is heading in relation to employment and labour issues. One must be conscious of the official government responses to the external forces influencing these changes and this response includes official programmes of privatisation, diversification, globalisation and the need to attract foreign investment; all of which will impact on the deployment of local and foreign labour – the focus of this study. With this rapid pace of change from within society, compounded by the various external influences over which there is little internal control, the certain future is not only unknown, but also inherently unknowable. Twenty-five years ago, not even the President of UAE would have been able to predict the extent of the changes, which were about to take place, so today even the short-term predictions may be as illusive as they were in the past. However, it does not follow that any attempt to look ahead into the future can be of no possible use and we can be fairly confident of, given the pace of change being experienced currently, the range of future events and the social, economic, political and cultural picture that is likely to emerge in the next two decades or so. And if we are content to work within the qualitative analysis and use degrees of probability rather than absolutes, use these main features rather than the fine details, the picture of UAE society in 2020 what will emerge will be of considerable interest and usefulness.

The purpose of this study therefore has been to collect and analyse the most reliable information available in order to form an objective and considered and consistent view of the prospects ahead for local and foreign labour in the Emirates and to elicit the most significant factors affecting them by using a multi-disciplinary approach.

The overall purpose follows from this detailed research and analysis, which is to alert the political and commercial leadership to the inherent risks posed by labour rigidity and cultural intransigence. To achieve this objective, research has been carried out across all sectors of society and embraces the whole spectrum of society – from the President down to women team leaders in a public corporation.

## 5. Value to Businesses

Business policies work through the market and market outcomes and they are the result of many separate decisions by many different organisations and governments. Each strategic decision can only be as good as the information upon which it is based. One is minded here of Henry Mintzberg who suggests that there are three basic roles in management: the managing people role, the decisional role and these are bridged by the informational role. <sup>(Mintzberg, 1989)</sup> Hence, the better the information, the better the quality of the decisions and human resource management leading to the more effective working of the market system. It has to be said that the evidence from the primary research for this study, suggests that the information upon which the key informants based their decision making, was extremely limited. The impression the researcher came away from the majority of interviews was ‘if it has worked previously, it will work in the future’. This pragmatic approach was voiced by many including the Deputy Operations Manager of the Abu Dhabi Gas Industries).

There are many business decisions that will impact on the effectiveness and profitability of the business. Businesses have to make investments in plant and buildings as well as in the selection and training of human resources all of which will take time to produce a satisfactory return on the capital employed. The suggestion in the study is that it can take up to ten years for ‘payback’ of the original investment. Research and development work requires considerable resources and reserves and frequently this is just to maintain, and not necessarily increase, market share. There is a need for developing new products and services and the study addresses this point by utilising the tools afforded by the Ansoff and Boston Matrices. These themes permeate throughout the thesis and the concepts of ‘cash cow’ of the Boston theory (in relation to Abu Dhabi using its financial surpluses to feed the development of the Dubai economy) and Ansoff’s theory of diversification are both referred to frequently. A relatively neglected area of need within the business infrastructure is succession planning and the development along the dictates of ‘*kaisen*’, of management and labour skills and competences. This is entirely in keeping with the guiding principles of the Holy Koran which urges managers “to reduce the scope of weaknesses and develop his (the workers) points of stress.” (Hamdan, 2003, p.40.) This

current neglect is illustrated exclusively in the 'Organisational Change Profile' devised for this study and outlined in Chapter 9. To keep competitive, businesses need to plan well ahead and they will be better placed for doing so if they have a clearer view of the wider market in which they will be operating in the longer term – for example changes in total demand due to economic growth; differences in exchange rates, of the changes in domestic and foreign consumer spending patterns due to changing movements in tastes and wider exposure to world trends; changes in product life cycles and changes in family structure and composition, working patterns of family members and of the skills required by staff and their availability, particularly in relation to the provision of cheap labour as a means of production and as an alternative to capital investment. In Europe, every business, large and small, public or private, must take account of the influence of the European Union (if only for the implementation of European law and directives), whereas on 1<sup>st</sup> January 2003, the GCC Customs Union came into force to be closely followed by the issue of movement for convergence towards the monetary union. All these issues are critically addressed within the body of this study and in relation to the employment of local and foreign workers. One can regard the nation of UAE as a 'system' in that it is an assembly of parts which come together to achieve a common purpose. As with all systems, a weakness with one of the component parts, will impact of the system as a whole; the weakness in the supply of cheap of unskilled and semi-skilled labour, will emphatically impact on the economy as a whole.

## **6. Value to Individuals**

For many individuals, particularly nationals, the longer-term future is a matter of great interest and curiosity. It can also be a matter of practical utility. Many of their big choices in life – in education, career development, marriage, family structure, home and leisure, retirement and, leaving the public sector to initiate a business start-up, are made for intensely personal reasons. But since the consequences of these decisions are frequently irreversible, having a more comprehensive understanding about the nature of society at present, how it got to this point and where it will be going in the future, this study will provide a base for better informed choices. For some of the most important personal decisions, which will impact not only on the individual but also the individual's family, a well-founded information and

knowledge base can be not merely interesting but very useful. This is the same for individuals as it is for government and corporate entities. More than 30 percent of the primary research interviews were with key informants who had worked in the public sector for over 20 years. Some had already taken retirement and started their own businesses (See case studies in Chapter 9), and their exposure to market forces and people management was extremely limited. Examples of these were a public relations manager, a qualified sea captain and a financial control manager.

## **7. Structure of Dissertation**

This dissertation is written up in nine chapters, an introduction and conclusion and recommendations and a chapter dealing with the theory and another on methodology. The first chapter deals with macro issues such as the global economic developments and setbacks, inherent contradictions within the area known as the Middle East and an attempt is made to define what is meant by this term and is it defined geographically; it tackles the issue of whether Afghanistan or Israel, Iran or Morocco form part of this geographic entity? The Middle East can be defined culturally by the Arabic tradition; but does the 'Arabic' tradition embrace the Berber Tribesman in the High Atlas Mountains of Morocco or those from Iran (Persians) who don't speak Arabic? Consideration must be given as to whether the Persians speaking Farsi, should be included in the Arabic tradition, or whether the Jews in Israel speaking Hebrew are part of the area. Another definition is on the predominant religion, that of Islam; so in this context, the new states of Central Asia such as Kazakhstan and Uzbekistan can be rightly called 'Middle Eastern'. The position of India is also apposite in this context as it contains more Muslims than the Muslim State of Pakistan. It should also be remembered that most of the foreign workers originate in the Indian Sub-Continent or from the Philippines. China, now, is increasing in numbers of workers, but the latest census which was held in December 2005 hasn't been published at the time of writing and the data in the previous census of 1995 is woefully out of date.

This discussion highlights an immediate dilemma with the problem of definition and, as such, the term 'Middle East' has been avoided as far as possible but where it has been used, it will refer to the Arabic Nation to the east of the Mediterranean and the West of the Indian Sub-Continent. In the main, the dissertation uses the term 'Gulf

Area' which clearly denotes the area of the GCC Union. The first Chapter provides the theory, which underpins the primary and secondary research and analysis. The chapter proceeds by relating the concept of 'globalisation' to the business ethics inculcated in the Holy Koran. The relevance of the Holy Book is that it contains a valuable insight into the cultural traditions of the area; to what would be regarded a 'good management practice' by the West and it does not differentiate between local and foreign workers. The Prophet Mohammed laid down these ethics and principles for modern existence some 1400 years ago and we see that the late President of the UAE constantly reminded his subjects that these ethics and principles form the basis of today's society. A further 'culture conflict' is introduced in this chapter and taken up in greater depth backed by primary research in Chapter 8 on the Role and Status of Women, but the point to be made at this early stage is that the 'conflict' is one of convention and interpretation and not of tradition or religion. In the chapter, the Rulers urge the population to adopt ways of working which are compatible with a 'modern economy'. Clearly, there is a tension in the employment of labour between the traditional and the modern, and this is addressed. The point is also made in this chapter that this tension is perceived and unreal. For example, the Prophet's first wife was an entrepreneur and as a businesswoman represents a role model to the women of Islam. Traditionally, Arabic women have worked outside the home, in the farming communities whilst their husbands were away fishing or pearl diving, spice trading, etc. The chapter continues with an overview of Gulf social and economic data and sets the context for the study. It is somewhat ironic that when the senior executives were asked questions about their management practices, the response of over 40 percent of them went contrary to the principle contained in the Holy Koran. The theories addressed in this chapter underpin the primary research and adds depth and analysis to the Aim and objectives designed for this dissertation and also determined the substance of Chapter 2.

Chapter 2 outlines the research methodology employed in this study. This comprised largely of qualitative methods and was employed after the distribution of 1000 questionnaires (See Appendix 4), which provided obvious perverse results. The chapter outlines the theory of research methodology and introduces the reader into the strengths and weaknesses of different research options. It also justifies the use of interviews and case studies as the chosen methods for this study and its objectives.



The theory that is introduced in to this chapter provides a basis for diagnosis, analysis, planning and illustration and provides an added dimension to strategic thinking in the longer term. This chapter outlines the different research methodologies and gives their strengths and weaknesses. It also highlights the reason for the selection of qualitative methods for this particular study.

Chapter 3 continues with a macro analysis of the impact of globalisation and looks at population data in the GCC area. Population statistics can be misleading as they include expatriates with Resident's visas. This group, with Resident's visas will qualify for a labour card and these form the bulk of the foreign labour force. There are also large numbers of illegal immigrants and illegal workers hidden within the population and this is verified by an incessant number of 'amnesties' for the illegal immigrants. There is also another inherent difficulty and that lies in the scarcity of up-to-date data. The last official census was in 1995 and much of the official data dates back to the published Annual Statistical Abstract, which prominently features the 1995 data. (There was an official census in December 2005, but the data still remains unpublished.) This was largely overcome by personal discussions with the Director of the Statistical Department at the Ministry of Planning who updates the year-on-year data between the official censuses. He also provided some unpublished data that proved to be most useful. Chapter 3 breaks down occupations by sector and the differentiation of nationals to expatriates is vividly revealed. The research has revealed that in over 90 per cent of the key informant's structured interviews, there appeared to be no urgency in aligning the official proposal to reduce the numbers of foreign workers and encourage to locals to fill the gap left by this home-bound labour.

Chapter 4 narrows the focus slightly and looks at 'Nationalisation' within the UAE. At the outset, it must be clearly understood that the term 'nationalisation' refers to the replacement of expatriate workers in jobs by local or 'nationals', which is somewhat different from the general meaning of the term in the West which applies to the takeover of a private sector business by the state. Another concept with the same meaning is 'Emiratisation'. A 'national' or local can be defined simply 'as a worker who is a citizen of the UAE'. This chapter introduces the difficulties of change management with particular reference to the entrenched attitudes that prevail in

Arabic culture. Some of the underlying theory that is presented in Chapter 1 is used and related to the situational elements of business in UAE. The reliance on the oil and gas sectors is highlighted and a boundaries drawn for further tension between the traditional employment of nationals in the public sector and the employment of expatriates in the private sector. Reasons are given for this situation and an official contrary view is also given and disputed within the analysis. Indeed, the 'official' view is given by an organisation called 'TANMIA', and, as a result, two members of the Tanmia Board, created to put nationals into local jobs, were subsequently interviewed as part of this research and their views were clearly expressed. Statistical data, from the 1995 census was subjected to analysis in terms of the age structure and occupations of nationals. (TANMIA is the National Human Resource Development and Employment Authority which was established by the government to encourage locals into working in the private sector.) The fact that a national agency has had to be formed to steer locals into private sector jobs, whilst the public sector was downsizing due to privatisation, is indicative of an inherent problem in the cultural system.

The following chapter is an extension of Chapter 3 except that it focuses more narrowly on the youth of the nation. This chapter was written following the interview with the one of the Board members of TANMIA. Once again, the chapter is highly critical of the official position that quotas of expatriates should be applied to reduce the dependency on expatriate labour. Reasons are given for this criticism that remains valid in the 'unofficial' view of most of the 'interviewees'. For this chapter, a major research project was undertaken, but abandoned through the resulting data being highly suspect. Therefore the research relied primarily on official statistical digests and interviews with some of the private sector's most senior managers, mainly at the Managing Director level. (1,000 questionnaires in both English and Arabic were distributed to the staff of a private sector company, and then abandoned. Reasons for this are given in the Chapter on research methodology. The results of another survey were used which indicated that a cultural shift in the attitudes of nationals is urgently needed, and this should ideally take place prior to the imposition of quotas, or penalties, on the employment of expatriate staff. Unemployment among locals is also featured in this Chapter, and there is general consensus that the unemployment among local young people is far too high, but this is not registered in the official data. One of

the obvious reasons for this obvious recording 'failure' is that many unemployed youngsters (and particularly females) do not register as 'unemployed' because either they are not part of the labour market or because they are not in need of benefits and the figures quoted are grossly understated <sup>(Confirmed by the Director of the Ministry of Planning's Statistical Office)</sup>. The salient point is that there are literally millions of expatriates in the labour force and there are also many nationals unemployed, a trend which is increasing. A further point is that since entering formally the GCC Free Trade Area, citizens of all GCC countries can travel across borders for the purposes of employment. As UAE is a relatively prosperous country, this may have the effect to encourage greater mobility of foreign labour to the growing private sector.

Chapters 6 and 7 cover the general problem of the inexorable impact of change in the area and in the labour force. These chapters use in a critical manner the primary research interviews and they look at the social consequences of rigid labour segmentation, primarily, crime and unemployment, disillusion and discontent, as expressed by locals. "This is our country and these are our jobs" was a common heard grumble by locals in interview. The chapter also presents an analysis of the demand and supply of labour to strengthen the economy of the UAE. The paradox is that the government has a declared policy of privatisation <sup>(Director of the Ministry of Planning, Central Statistical Office, in interview)</sup> and private organisations don't profess to be a social service in the same way as does the public sector <sup>(Senior Planner in a large public sector organisation, in interview)</sup>. Stakeholders in private sector organisations have little interest in the payment of child allowances or funding of the Marriage Fund <sup>(Senior Manager in the telecommunications company, in interview)</sup>, they have invested to maximise profits and cheap foreign labour is a means to that end.

Chapter 8 deals with the sensitive topic of women in employment and for this chapter, 20 national women, at team management level, were interviewed on a one-to-one basis. In most cases, the interviewee had a female colleague with her. With each interviewee, the concept of the 'Glass Ceiling' was raised and, without exception, all of the women dismissed the view that this existed in their specific situation. Indeed, this term (or concept) was new to all of them. (The "glass ceiling" is typically defined as an almost invisible upper barrier, which various groups (like women and minorities) run into as they try to move up the ladder of advancement.

The effect is that there tends to be a limit to how high a person in one of these groups can go, for reasons other than personal competence.) Most went on to give reasons why they were content to stay where they were in terms of their career aspirations and then they went on to explain (without realising it) the implementation of the 'glass ceiling'. For example, a number of women engineers (both married and unmarried and all highly qualified) mentioned that the next promotion would take them to senior management level and they would need to be on call as Shift Engineers for example. In this shift-work pattern, there was no flexibility, and they expressed the view that being on call at evenings and nights would, culturally, not be appropriate, and therefore they prefer to stay where they were. Both the women interviewees, and their 'bosses' who were also interviewed, dismissed the notion of positive discrimination and the 'bosses' dismissed the view (with a broad generalisation) that the women lacked ambition and enterprise. This attitude may be confirmed by the constant urging by all rulers of UAE that women should, as well as running the home and the family, share the responsibility of 'building the society'. (For example, Sheikh Musallam Salem Bin Ham). Examples are given in the chapter of women who have done just this and the encouragement given by the President's wife, Sheikha Fatima. The question was raised about home-working, and universally dismissed without any thought, albeit it is a viable practice in Jordan. (See Aqel, Y, 2004)

The thesis examines the current role and importance of non-UAE nationals and it suggests that such labour liberates the locals to undertake staff development and vocational training; it provides more senior jobs for locals as supervisors and managers (of a rapidly expanding foreign workforce), and makes available the wherewithal for circulating capital creating more jobs in retail, manufacturing and agriculture. It also considerably enhances the tertiary sector in jobs such as financial services as much of the income received is repatriated via local banks and other agencies to their countries of origin.

## **8. Theme of Government policy on localisation of labour**

The indigenous population of UAE is in the minority of the total population being outnumbered by foreigners by a factor of 1:10. Sunni Islam is the state religion, but although all religious minorities have freedom of worship, it remains that the UAE

contains less than 10 percent Muslims in this traditional Muslim society. Most of the non-Muslim population are accounted for by the need for cheap foreign labour following the exploitation of oil and fossil fuels following the departure of the British in the early 1970s. The government sees this disproportionate population representation as a threat to the Islamic values and Shariah law upon which the society is based. As a resolution to the problem, and to restore the balance, it has declared a policy of 'Emiratisation' (also called localisation or nationalisation) and has resolved to reduce the expatriate labour by 50 percent by the year 2010.

But the reduction has to be selective, the semi-skilled and unskilled foreign workers are the ones targeted. The paradox here, which the government officials (in primary research interviews) were not able to resolve, is where is the manual labour coming from to work in the construction sites, farms and manufacturing plants? TANMIA, (a government agency charged with the responsibility of finding jobs for locals) in liaison with service providers, claims that there are hundreds of thousands of jobs available in the public and private sectors for nationals. It will be seen that this is an unrealistic and misleading claim and goes contrary to the evidence gathered for this thesis. TANMIA comes in for much criticism in the thesis.

#### **9. The importance of government policy on structural change and the localisation of the labour force**

The importance of government policy is encapsulated in the 'myth' that the unprecedented economic growth can be sustained within a labour force with diminished numbers of foreign workers. Long-term structural changes are taking place, particularly with the decline in the public sector and a shift to the private sector. The reality of the situation here is far removed from the premise argued by government. This government's arguments do not address the problem of the essential supply of manual, unskilled or semi-skilled workers or the disinclination of locals to shift away from the public sector. When these points were put to senior government officials, there was almost a blasé response: "We have managed quite well up to now, why should things change now?" MD Arab Tanker Company, but typical of the majority of key informants.

Authoritative research sources have indicated that the government is engaged in an ambitious privatisation programme that will transfer state-owned assets to the private sector in a phased manner over the mid-term. The programme includes the utilities like water, electricity, sewerage disposal, shipbuilding, aviation, airports and harbour management, insurance and petrochemical projects, telecommunication and health care and even aspects of the functioning of local authorities. Even prisons will not escape the privatisation programme (Undersecretary responsible for the Abu Dhabi Municipality – a key informant).

The privatisation of water and electricity alone in 2003 created four private companies (collectively known as ADWEA) and raised Dhs 22 billion for the state; plus the state retained a controlling interest (60 percent) in the privatised companies. Research suggests that the areas targeted for privatisation will be in the field of technology intensive projects with an aim to reduce dependency on foreign labour, but the contention here is that the reverse will take place. Much of the privatisation will be and is being in the service sector, in hotels and leisure, the financial services; sectors that are extremely labour intensive. But equally, foreign investment is focused on manufacturing, construction, cement making, agriculture; all areas to which locals have an antipathy. In consequence, it is contended, that in the process of privatisation, the dependency on foreign labour in the labour-intensive private sector industries will increase rather than decline. However, according to the Director of the Statistical Office of the Ministry of Planning (a key informant for this study) about three quarters of the whole labour force, excluding construction, is engaged in the tertiary services sector. The construction industry comprises almost 99 percent of foreign labour. That is, for every 100 employees working in the construction sector, only 1 is currently local. Notwithstanding the government's declared policy, and the vision of the local key informants, locals are averse to switching to the tertiary sector in private enterprise and in so doing replace the foreign workers; neither do they have the inclination to work in the construction sector. Is the government realistic in its Emiratisation strategy?

The interviews with the key informants were semi-structured and designed to encourage freedom to articulate in an honest way, feelings and emotions as well as facts and figures. This cannot be easily achieved by quantitative research (as described in Chapter 2). During the interviews, the respondents were brought back to the topic under discussion if they strayed too far from the predetermined agenda. In

the final analysis, the information and data gathered from them were the heartfelt views of the informant being interviewed, but it is significant that there was a remarkable homogeneity between the views of all locals interviewed. For example, all locals insisted that it is important that the amount of foreign labour be reduced radically because, as mentioned earlier, they felt that keeping the numbers at the present levels (or even higher) would undermine their Arabic and Islamic heritage and traditions. Almost unanimously they dismissed the suggestion that perhaps the foreign contingent should be increased in order to heighten competitiveness in international trade and sustain economic growth.

The position has arisen where the total population of the UAE contains less than 10 percent Muslims in this traditional Muslim society. Most of the non-Muslim population are accounted for by the need for cheap foreign labour, following the exploitation of oil and fossil fuels after the departure of the British in 1971. There is an additional complication in having such a large foreign population and that is the vast amount of remittances sent home by most of the foreign workers. Typically, the employer will provide food and accommodation for foreign workers which means that although the salaries are small by comparison with their local counterparts, it still means that most of their salaries will be sent back to their dependents in their countries of origin. This is a drain on the UAE economy and it restrains the benefits of having large amounts of circulating capital and the economic stimulation of an internal market.

The recommendations of the thesis, based on the research undertaken, suggest that the reforms taking place in UAE are not nearly broad enough and that that the foreign worker should be motivated and welcomed to contribute fully to the labour force; obviously they need a specific job and employer in order to qualify for a labour card). Saudi Arabia (which currently leads the way), has embarked on medium-term plans to privatise state-owned enterprises in areas such as telecommunications, transportation, electricity, infrastructure and municipal authorities and public utilities, these developments reflecting the position of UAE and all GCC countries to a greater or lesser extent. But it has also introduced far-reaching legislation on foreign investment that permits foreign ownership of companies and land. This compares favourably with the UAE which precludes foreign investors owning freehold land and

owning more than 49 percent of their own companies (outside the development zones). In UAE, this thesis concludes, that the reforms will need to be broadened and sustained over the medium term to support economic growth and employment creation for locals to utilise their full potential. This is considered to be essential for sound macro-economic and financial stability and will be to the benefit of local as well as foreign workers alike. Free market capitalism is the new order of globalisation and globalisation inherently ensures that this will spread to every country. The single currency and membership of the GCC, EU and USA (FTAs) will go a long way to support the movement toward globalisation; but individual states must not allow their economies to fall behind – which it will if it is short of labour. It should also be noted that currently the unemployment rate among locals has now exceeded 22 percent. (Director of the Statistical Department, Ministry of Planning) The inflexible attitude of locals adhering to their traditional values certainly has the impact of retarding economic growth and removes all possibilities of the government achieving its target.

At the outset of the research and as a guide to the qualitative research to undertake, the problem was adequately defined and the boundaries of the problem areas were delineated. (The boundaries of the problem areas can be found in Ch.1., para. 7, p. 93.) This ensured that the research was kept in focus, that the aims and objectives were achieved, that the research questions (p. 15, above) were answered and all related to the adoption of the working hypothesis, “That the employment of foreign labour is essential to sustain economic growth in an age beyond that of almost total reliance on oil revenues” (pp.29 & 38). But the government’s strategy for privatisation, diversification, liberalisation, Emiratisation and globalisation which in turn will enhance the growth of the private sector and improve the private sector business opportunities. Employment patterns are such that it is the private sector which attracts foreign workers and simultaneously, it is the private sector that locals have an aversion towards. The foreign worker can be seen to be marginalized in respect to terms and conditions of work, they are regarded simply as a commodity, a factor of production, cheap labour, and a large financial gap exists between the employment of a worker from the Indian Sub-Continental or South Asia, and the cost of employing a local. But soon the government will come under increasing pressure to equalise opportunities for all



workers in the labour force – regardless whether they are nationals or foreign workers. (See Appdx. 6 for the ILO Principles).

The UAE, and all the GCC countries, are members of the United Nations Organisation (UNO) and have undertaken to abide by the rules and regulations of its various sub-committees. The International Labour Organisation (ILO) is one such agency of the UNO. Following UAE attendance at the 14<sup>th</sup> Asian Regional meeting of the ILO, the UAE undertook to implement the ILO's 'Decent Work Programme' which adopts the policy of rights at work and social protection (in accordance with the ILO's Principles and Guidelines (Appendix 6). The communiqué which followed the meeting stated; "The ILO's Decent Work Agenda stands on the pillars of rights at work, employment, social protection and social dialogue". The ILO has the power to enforce this ideology as it falls within the organisation's 'Principles' to which members have agreed to adhere. (These 'Principles' are reproduced at Appendix 6.)

By 2010 the GCC is expected to have in place a unified financial currency which will help global trading, no information is available on whether this will still be linked to the US Dollar (Economic Adviser to the GCC Secretariat, Dr Said A. Al-Dhaikh). Most international trade prices, and particularly those quoted for oil and gas, are priced in US Dollars and this affords a much needed stability to the GCC economies. Currently, all members of the GCC are members of the WTO and have to abide by the rules and regulations of this westernised organisation. The ILO will also make demands on the employment of labour in the UAE, and it is manifest from the research interviews, which evoked many and varied emotions on the topic, that locals do not fully understand the implications of this. That is, that an external agency will dictate to the UAE government and employers the terms and conditions which will govern their employment of labour. This is in much the same way as the WTO governs the terms of international trade for all its 170 member states, including UAE. With OPEC dictating the amount of oil which can be marketed, the UAE, like all countries, is no longer sovereign.

Currently, the Gulf in general is opening up to fiscal, political and trade reforms which are some of the basic requirements identified by the International Monetary Fund (IMF) and the World Bank. The issues of transparency and accountability in

UAE have been commented upon by the IMF and the UAE government have come a long way in the last 30 years but more needs to be done to raise the confidence of foreign investors in the private sector which will serve to stimulate the UAE and its role the global economy. More enterprise necessitates more labour! These initiatives involve the reduction of the staffing establishment in public sector enterprises which are heavily 'over manned', the growth in the private sector without regard to the impact of the withdrawal of foreign labour, encouraging women to take up employment, facilitating 'home and flexible working' in the model of Handy's 'Shamrock Structure', <sup>(Handy, 1989)</sup> (representing half the population without an active economic role), the ability to buy freehold property for foreigners in their own right, the ability to own 100 percent of the equity in their own businesses and the ability to control their own bank accounts, etc. These are all seemingly reasonable proposals which will collectively contribute to a flourishing economic future without the reliance on oil-based products.

## **10. Globalisation**

The United Arab Emirates is a confederation of seven kingdoms, or emirates, on the Arabian Peninsula, on the coast of the Arabian Gulf. They are linked by their dependence on oil revenues, which have brought them from poverty to prosperity in only 25 years. The UAE was formerly seven separate monarchies protected by the United Kingdom, but the emirates united as a confederation in 1971 on the departure of the British.

.The UAE is a small country with a small population of just over 1 million (both nationals and foreigners) and it is part of a free trade area (FTA) known as the Gulf Cooperation Council (GCC). In total, however, the combined impact, in terms of markets and suppliers, of all the countries of the GCC is dwarfed by the competition with the European Union (EU), the United States, Japan, China and India. The GCC generally and the UAE in particular, all with few natural resources apart from oil and gas, is increasingly reliant on re-exports, particularly in the manufacturing sector which includes cars and jewellery. It is worth taking these two examples to illustrate the need for the utilisation of foreign labour. The UAE imports the car kits from Germany and it assembles the new vehicles at the luxury end of the market in the

UAE under licence (Using cheap manual foreign labour). It then exports the finished car all over the world. This enterprise is largely driven by private investors and entrepreneurs. For the jewellery business, the gold is imported from all over the world, commonly from Italy. The craftsmen come from one of UAE's near-neighbours, India (highly skilled cheap foreign labour but the UAE has to compete globally for these skilled craftsmen) and subsequently the finished product is re-exported all over the world through the world's third largest port (Dubai Ports Authority). Both of these manufacturing industries are driven by foreign investors and foreign capital. Re-exports are currently an important item in the balance of payments, particularly in an era of declining oil revenues; currently re-exports account for two-thirds of all the foreign trade

Additionally, in competition with developing countries on a global scale these examples highlight the need to lure foreign direct investment (FDI) to the UAE. The construction industry, making a similar contribution to the UAE GDP as oil and manufacturing and its workforce comprises approximately 99 percent of foreign workers. Jewellery and car assembly are also largely driven by foreign capital. This is an affirmation of the importance of inward foreign investment in sustaining the record levels of economic growth leading to one of the highest per capita levels of income in the world.

It is unlikely that locals will ever agree to personally assemble cars (at least not in any numbers) nor do they have the essential skills in craftsmanship for the jewellery trade. These circumstances indicate the absolute need for a large foreign workforce which serves to support the working hypothesis given above. The challenges to be faced in the future will not be tribal, local, national or even regional, but the challenges will come from the pressures of international trade, investment in a new era of global competition and the need to attract foreign labour with the 'right skills'.

## **11. Methodology**

It was decided at a very early stage that primary quantitative research would be carried out within one of the largest private sector companies in UAE. The company is based in Abu Dhabi, Dubai and Al Ain and has subsidiaries in Germany, UK and

the USA. One thousand questionnaires were distributed in both English and Arabic (The questionnaire is replicated in Appendix 4) and it was estimated that about one third would be returned. In the event, 42 percent were completed and returned. The hope was that the responses would reveal the attitude of foreign workers to their local employees and, conversely, the support given by the employers to the development of these workers. The information provided by the return of 420 questionnaires serves to show that the foreign workers were worried that their employers would identify them and learn of their views of the Company and its Management. Little quantitative analysis could be applied to the responses and the analysis in Chapter 2 explains why. The majority of the targeted population (more than 98 percent) for these questionnaires were foreign workers and 90 percent of these originated in the Indian Sub-Continent. The advantages and disadvantages of using questionnaires are given in theoretical terms in Chapter 2. The experience of using questionnaires for the quantitative research for this thesis illustrates the practical weakness outlined in the theory.

Key informants were the main source of data collection and at the planning stage it was decided that the 'interviewees' would be drawn from three distinct categories; from influential locals in the field of government (such as the President's Advisor, the Under Secretary responsible for Abu Dhabi, the Chairman of the Abu Dhabi Chamber of Commerce, etc.), also influential businessmen, including (both nationals and expatriates) and the third category was foreign workers. The data to be collected was clear and the parameters related to proving (or disproving) the working hypothesis (p.29 above), answers to a set of 'research questions' and adhering to the principal aim and objectives set for the thesis. This data and information would then be analysed against a background of theoretical constructs which provided added meaning and depth to the analysis. (The use of selected theoretical constructs follows below.) The overall aim was to challenge the government's policy of drastically reducing the numbers of foreign workers in the UAE labour force for fear of 'being swamped by foreigners', but although the instinctive responses from the local businessmen was that the economic growth could well be sustained without foreign labour, the need for a source of cheap labour will raise the competitive edge in international trade, add value to the products of the UAE, and enable the UAE government to pursue its

policy of privatisation and diversification and minimising the nation's reliance on the volatile oil revenues.

The data collected from the key informants, particularly from the foreign investors, was that without the availability of labour at all three levels, unskilled, semi-skilled and highly skilled, their investments would go elsewhere and the UAE's competitive advantage for inward investment would decline. <sup>(GM, Black Max Drilling Tool Company)</sup> The influential locals also conceded two interesting points; that the locals do not currently have the skills to replace the highly skilled foreign workers and that for many of the jobs, the foreign workers were not in competition for work as the locals are not prepared to relocate to the sectors in which the foreign workers are predominantly located. This is largely the private sector which, up-to-date data suggests, has a foreign representation in the labour force amounting to 93 percent.

The other issue that is highly problematic is the considerable differential between the salaries and benefits which locals find acceptable and that which foreign workers are happy to accept. For foreign investors, the employment of foreign labour leads to cost reduction, whereas the opposite occurs when employing locals. Many key informants (around 72 percent) also voiced the view that they much preferred to employ foreign workers, 'who are not fussy about the jobs they do, they have fewer complaints, they are better time-keepers, they have less sick leave and accept lower salaries, longer working week, have more productivity and greater obedience'. This information was evoked from the key informants in interview. It is crucial to gain an understanding of the local *vis a vis* foreign worker, but without personal contact (say with written questionnaires), it is unlikely that these attitudes would have been revealed. It should also be mentioned, to aid understanding, that the foreign workers use as a reference the salaries that they would be earning back in their countries of origin. In all cases, these would be much lower. The employers in the UAE are compelled to provide food and accommodation and although this is frequently abused

by employers, in general most of the salaries earned by foreign workers can be sent back home.

Leadership style has been calculated on the Tannenbaum and Schmidt linear scale. Every key informant was measured on this scale and 81 percent (98) fell within the 'Telling' category – that is dictatorial management. A stark contrast to the teachings of the Holy Koran which addresses directly the point about leadership style. Once again, using this theory is a simple way to calculate the leadership style and culture of the organisations. It is directly relevant to the employment of foreign workers and the leadership style imposed upon them, their performance and performance improvement; and research suggests that little or no development is provided for these expatriates. No consideration is given to motivating the foreign staff to higher performance and the frequent comment was "If they do not meet their performance indicators, they will be terminated" (Extrinsic motivation). The businesses that employ foreign labour are divided by government into one of three categories (A, B and C) and each category will have a different 'tax' liability dependent upon the numbers of foreigners employed and their length of stay. This can certainly be most prohibitive in terms of the employment of foreign labour, but linked to this, when local labour has not proved forthcoming, or the skills required have not been available, the incentive is there for foreign investors to make their investment elsewhere. Plenty opportunities exist!

Locals do not seek, or want, employment in the private sector and in any case they are far more expensive to employ. Higher expenditure of salaries and benefits equals lower profits and the vision of all the private companies encompassed by this study is to maximise profits. Because of the system of sponsorship, foreign workers work harder, there are more loyal to the employer (who is their sponsor) and they use as their reference group the terms and conditions of employment rates in their countries of origin. There is clearly a cost incentive for the foreign investor and a cost benefit for the foreign worker. A skilled plumber from, say India or China would work for much less than would a local who would be unlikely to apply for such work in the construction industry. But this 'cheap labour' provides added value for the foreign investor and this is where the foreign investment is attracted and their investments ricochet around the UAE economy and contributes massively to economic growth.

Long-term structural changes are now taking place and on a superficial level with the increase in the local population through birth rate, there are some locals who can replace the foreign labour. TANMIA, the government agency which is responsible for placing locals into jobs operates, it is contended, a misguided policy of re-locating locals from the public sector to private sector jobs and the research for this thesis suggests that TANMIA's strategy is unrealistic. TANMIA suggests that 55,000 jobs are available for locals, but research has revealed that about 30 percent of these jobs are in the public sector anyway and the remainder are jobs which locals have a strong antipathy towards. Further, it was revealed in an interview with a key informant from TANMIA that this programme is based on a 10-year period. Locals are not prepared to switch and foreign workers are currently engaged in private sector jobs that the locals will not do; they are not in competition for jobs. The reality of the situation here is very much far removed from the premise expounded by the government. It has been noted that the unemployment rate among locals has now exceeded 22 percent, but research suggests that many locals will not take jobs which they reason 'brings shame to their families', even if they are unemployed. An understanding of this issue of 'motivation' and 'self esteem' is crucial to gain an understanding of the local's objection to relocating to the public sector. Maslow's 'Hierarchy of Needs' has been described and applied to this intractable problem.

As has been mentioned above, there were 120 key informant interviews carried out and each lasted up to two hours. Bearing in mind that all were conducted with very senior people, one is greatly appreciative of their time and the candid way they allowed themselves to be questioned and the honesty of their responses. When trying to predict the direction of the socio-economic trends in the short to medium-term, and the demand for labour in the new global order, it is difficult to over estimate the importance of the contribution made by these opinion-formers to the data collection for the research for this thesis. The selection of informants was achieved by personal contacts and the availability of the informant. They were selected at random with the proviso that they should be at General Manager or Board of Directors levels. A list of 150 names was initially selected and it was intended to target 100 for interview. But the degree of cooperation was so high that one took advantage of the good will and the list kept growing. There was a down side in the field of data collection. By

interviewing so many key informants, the time available for the interviews became increasingly restricted. High on the list of 'desired' informants was the General Manager of the largest construction company in UAE – Emaar Construction which also possessed its own bank to facilitate financial transactions. But although the good will was there, the GM spent much time travelling and the researcher's time was limited, it was not possible to find an available time to meet. This happened in about 20 cases in the list of 150.

## **12. Data collection and presentation**

Much valuable data has been collected by the research methods employed and an assessment of the conclusions and recommendations will indicate that the methods employed has achieved the study's aim and objectives, they have served to prove the hypothesis (p.29) and authoritatively have answered the 'research questions'. The data collected has been used fairly liberally throughout the thesis when appropriate and has been integrated and used as example, illustration and analysis and to confirm and inform statements made within the text. The researcher has attempted to enter the crevices of the minds of the 'key informants', to elicit their fears and visions for their homeland's future beyond the exploitation of oil and gas revenues, and into a new order of global transactions and to extract their predictions on employment issues and international trade in the ensuing decade in UAE. Employment and trade are indivisible in this context and without a viable labour force, there cannot be a workable industrial, farming and manufacturing base to the UAE economy.

It must be appreciated that the Holy Koran provides a total 'way of life' for Muslims whose life centres around its teachings. Therefore this study was informed by an in-depth understanding of the teachings of the Holy Koran in relation to management and the culture, traditions and practice of employment strategies in the UAE which has prolific comments to make (indistinguishable from modern management theory). For example, the Holy Koran urges managers to be more trustful, to incite people to feel a sense of belonging, to internalise the organisation's concepts, to motivate them to perform to the best of their ability, to acquire self confidence and encourage teamwork and cohesion. From this last sentence can be seen the importance of blending modern management theory and good practice together with traditional



Islamic values. The result is a participative management, with understanding, trust and compassion, one which values the efforts of its entire staff and one which motivates all staff to continuously exceed their present performance – *Kaisen*. It is noteworthy that not one of the many expatriate workers questioned knew of the vision set for their organisation. In these circumstances, how can they understand their contribution to the achievement of the corporate goals, or even know what is expected of them.

In addition to the data gathered from the semi-structured interviews with 120 key informants, 10 companies were selected for deeper analysis. Unlike the interviews with the key informants, these were carefully selected to represent the private as well as the public sectors, and big and small businesses. Once again, all interviews were conducted with the most senior member of staff available – usually at G.M./MD/Chairman level. Annual reports and other company related literature were scrutinised. It was found that the information provided by the utilizing the ‘informal’ data as presented in the company literature, was much more informative than the government data as published by the Ministry of Planning. In one case, the Human Resource Director of one of the largest independent oil companies in the world and a most principal key informant was also a member of the TANMIA Board of Directors and the chairman of the Abu Dhabi Human Resources Group. It is not surprising that this company, under the leadership of this knowledgeable key informant, topped the 10 case study companies as coming closest to being a ‘learning organisation’. How was this tested?

As part of the research methodology, and in keeping with the objectives set for this thesis, an ‘Organisational Change Profile’ was designed and applied to test the company’s provision for the development of its foreign staff. A fairly accurate measurement system was devised by the author and the 10 case study companies were subjected to this scrutiny. Not one actually met the standard set for a ‘learning organisation’, but the foreign oil company with a local Director of Human Resources came closest. From the data gathered, this could have been predicted, but the ‘Organisational Change Profile’ (Chapter 9) proved to be a much more objective test. The ‘test’ comprises matching the negative aspect of Rumelt ‘Organisational Inertia’ with the positive strategies of Senge’s ‘Five disciplines’.

The researcher also attended (by invitation) a number of meetings of the Abu Dhabi Human Resources Group and the Bahrain Association for Training and Development. Useful data was gathered from these two professional associations which comprise the employers from large public and private businesses.

In total, the qualitative research methods used did address the three aspects of hypothesis, research questions and the thesis's aim and objectives. The research methods used, compounded by the theoretical constructs, visits to companies and the creation of the Organisational Change Profile, were highly successful and fully contributed to the ability to form conclusions (from the analysis) and make recommendations (as a corollary of the conclusions) which will be taken to government and which ultimately will inform the government strategies, benefit public and private sector businesses and contribute to maintaining sustained economic growth for the next two decades (long term).

### **13. Applied theoretical constructs**

The study takes as its focal point a hypothesis "...that the employment of foreign labour is essential to sustain economic growth in an age beyond that of almost total reliance on oil revenues". This hypothesis is tested by qualitative research and proven. In addition, to guide the research content, a number of research questions were asked (p.15). All these 'questions were answered' by the semi-structured interviews and other primary and secondary sources.

Theory has been used in this thesis to underpin and clarify the analysis and bring to it greater depth of understanding on a psycho-social-economic background. For example, the research evidence has revealed that nationals simply do not want to relocate from the public to the private sector of employment; the unanimous view is that it takes away their dignity and self-esteem and brings shame to their families. Therefore, in order to make sound recommendations on how this problem can be resolved, it is essential to have an understanding of Maslow's Hierarchy of Needs and Herzberg's Two Factor Theory and the place of 'self-esteem' and 'self and mutual respect' in these motivational and behaviourist theories. This directly applies to both

the local and foreign employees. In short, the solution to the problem of locals relocating is made clear by the theories. One cannot force nationals to relocate, because even if this were possible, their performance would be below that which is expected from them. According to the theory, if extrinsic motivation will not work (e.g. becoming unemployed) then intrinsic motivation should be applied; raising the self-esteem associated with working in the private sector, and recommendations are given on how this can be achieved. Conversely, in order to achieve high performance from the foreign workers, managers should apply intrinsic motivation to transform them from a marginalized position in their employment to one which ascends the hierarchy through the safety and security stages, the social stage leading to a heightening of their self esteem and ultimately 'self-actualisation'. This involves no additional cost but the enhanced performance will enable the foreign labour force to be reduced.

The thesis adopts a systems approach to organisational analysis and human resource management and takes a number of techniques that are considered to be 'good practice' in the West and Japan. When put to 'key informants' (more than 120 interviews were carried out - See Appendix 5), a common response was 'this is not the way we do things here – we like strong management' or 'this is not part of our culture here', but the thesis makes it abundantly clear that, contrary to the views of most of the locals (Muslims) involved in this research (more than three quarters), that 'good practice' human resource management is most compatible with the teachings of the Holy Koran. Therefore, issues that involve 'planning and managing change', 'the motivation of staff', 'problem solving and decision making', 'career development', 'skills gap analysis', 'organisational development', 'systems intervention strategy' and vertical and horizontal integration, etc. and, therefore, in accordance with culture and tradition, managers should fully involve them in the various change processes. Far from the 'telling' in the Tannenbaum and Schmidt continuum, the manager should flexibly move to the 'selling' style. This is at the very core of long term performance issues. Not a single key informant conceded that they do involve or would consult their staff in these issues regardless of whether they are local or foreign staff. The evidence suggests that in these circumstances, a very high percentage of change strategies fail to achieve successful implementation.

Differentials remain; there are differences in working conditions, pay and rewards, benefits such as pensions and family allowances, working hours, etc. The private sector works 6 days a week (with mainly foreign workers), the public sector (overwhelmingly locals) only works five. The public sector provides family allowances for locals, the private sector does not. The private sector offers short, fix-term contracts, the public sector offers locals permanent contracts with two and even three years' 'induction' (development) training is continuous for locals, little or no training is given for ex-patriots, performance appraisal and career advice is available for locals, it is not for foreign workers. But this segmentation it is argued here perforce is coming to an end, and yet not one of over 120 primary research informants appreciated the changes likely to be imposed by the ILO, that will be taking place in the short to mid term. "We will continue as we are, regardless of external pressures" (Senior Superintendent of the Dubai Ports Authority) was a common refrain. The key informants failed to grasp that such inequitable human resource practices runs contrary to the principles of the ILO which has the means of disciplining wayward companies which do not conform to its Principles. (The guidelines are included in Appendix 6.)

Organisational culture is examined and differentiated from corporate culture and this is used to highlight the position of locals *viv-a vis* foreign labour. Clearly, most of the foreign workers come from the Indian Sub-Continent and South East Asia. They have different languages, different culture, different traditions and different religions. (Employees of the National Oil Company speak 72 different languages as a 'first language'.) Although there is no such thing as a homogenous culture, particularly in such a large geographical area, it is manifest that the cultures present in this multi-cultural society differ quite considerably and most have no wish to be integrated with mainstream Islamic society. At the lower skill level, there is only an inconsequential cultural mixing of the foreign and local culture. Research evidence suggests that the Arabic organisational culture is all-pervasive and the foreign workers learn to operate within this. And yet there are a number of paradoxes associated with the organisational culture prevailing in organisations, particularly in the public sector. Firstly, in the workplace in general, locals are in the minority of less than 10 percent of the total labour force. And yet the Arabic culture is strong and dominant and there are few signs of a changing organisational culture. The evidence suggests that in Europe and the USA, people stay with one employer on average for 4-5 years. For

the locals in UAE, the retention rate is approximately 20 years and for this reason many in the public sector employees spend a 2-3 year period as a 'developee'. The stability index is high and few staffing changes are made and these are mainly due to the replacement of an ex-patriot by a local. In the western model, mobility of employment leads to cultural change as staffs come and go within the organisation. A common definition of organisational culture is, 'The way we do things around here', and because there is so little movement of staff, the way things are done only changes imperceptibly. (It is argued that during the time spent as a 'developee' the foreign workers could be doing the skilled jobs and also act as mentors to the locals 'being developed'.)

The second paradox which is directly relevant to the working hypothesis is that the local key informants were adamant that 'strong, non-participative' management is the norm for Middle East organisations. This, it will (and has above) be shown that this advocacy is incompatible with the teachings of the Holy Koran and therefore with Islamic traditions. We shall see from the analysis that the key informants do not practise the values taught in the Holy Koran, and if religion is one of the components of culture, and here it is suggested that it is, the Holy Koran makes the argument (and followed many centuries later by management theory) very clear. Managers, the Koran urges, should adopt a participative form of leadership and those who will be affected by any decisions should be consulted on the likely impact of those decisions and why the changes are necessary. This good practice is contained in Maslow's 'Motivation theories' and also Lewin's 'Unfreezing' theory. Once again, this represents sound management and it particularly applies to the employment of foreign workers who are, the evidence suggests, very insecure. Employees affected by the changes should take ownership of the changes and be motivated to implement them without resistance. This is good management practice leading to the implementation of successful change management. This was put to the key informants, and the overwhelming majority (about 95 percent) expressed the view that they did not discuss decision-making with foreign staff (It is not the way we do things.). This leads on to the next concept, that of leadership style.

Leadership in the context of control, planning and managing change is an all-encompassing topic which is important to government, business and individuals alike.

The Arab world generally is not the place that it was two, or even, one decade ago. Political and economic decisions are no longer the exclusive domain of a few 'ruling' tribal families, but the UAE is now a player on the global scene and international trading is scrutinised by the WTO, employment issues are scrutinised by the ILO (See Appendix 6), monetary and fiscal decisions are surveyed by the IMF and World Bank and need to be discussed with GCC partners (as the move towards convergence progresses) and the amount of oil extracted from its own oil wells is governed by OPEC. Soon the EU and the USA will be part of a FTA (discussions are currently monitored by the WTO) and with the GCC and this broadens the controls and restrictions imposed externally on the UAE. These are all external pressures impacting on the socio-political/economic structures of the UAE and over which the UAE government have little or no control. Hence the emphasis place in this thesis on planning and managing change.

Two fundamental theories have been used to illustrate the 'emotional' responses to this issue of planning and managing change and they were both concepts which first arose with Kurt Lewin in the 1940s. The first relates to the 'force field analysis' which is a useful management tool. The Holy Koran has very strong advice on the management of change and in relation to Lewin's 'force field analysis' (many centuries before Lewin wrote), the Koran says; "Resistance can be expected when those to be influenced are caught in a jam between strong forces, some pushing them to accept change and other forces deterring against accepting it." It goes further, "Resistance could be due to lack of people's involvement in its initiation and lack of participation which could be in the form of upwards and face to face communication". The Holy Koran continues "Present concepts try to prevent, reduce or eliminate resistance through effective communication, positive motivation, participation as well as showing the positive returns of change on the individual...." The Koran was a pioneer in confirming that compulsion is incompatible with Islamic principles (Al BAQARAH, 61). This is a precursor for Lewin's second theory, that of Lewin's 3 stages of change and the Koran practically mirrors what is Lewin's 'Unfreezing stage of change'. It is directly relevant to the semi-structured interviews with the key informants although the response from over 95 percent of the key informants was "This is not the way we do things". Lewin's 3 stages may have been relevant to social and economic conditions in 1947, but it is not relevant to the

turbulent external macro economic environment of today. The 3 stages have been modified here to 5 stages and raised directly with all the key informants.

The 'Skills Gap Analysis' is directly relevant to the difference between the actual and the expected performance as set out in performance indicators. This is postulated as being relevant in two separate contexts: firstly it is the measure of performance of either individual nationals or individual expatriates and, secondly, it is the gap between the performance of the nationals as compared with the performance of the expatriates – doing the same or similar job, now and in the future. It is a tool to measure performance against a benchmark of threefold criteria: the performance now in the present job, the performance at some stage in the present job in a climate of rapid change (the job will therefore be different and technology particularly will have moved on), and the performance of a different job in the future in the context of succession planning or career development. Currently, it is argued that, in the main, only the nationals are assessed in this way. Performance appraisal is, according to the key informants, rarely carried out on foreign employees. The reason given is that the tenure of their present positions is only temporary, usually on two year contracts, and therefore appraising performance is not necessary. One interviewed Indian employee of the National Oil Company had been with the company for 25 years and is hoping to receive his citizenship shortly. What is overlooked by employers and managers is that many of these expatriates occupy key positions in the organisation and like nationals, they too need to be brought up-to-date as the circumstances and methods of their work change. For skilled and semi-skilled staff, their contracts are renewed time and time again, until there is a local who is competent to take over. Although the Peter Principle is not specifically mentioned in the Theory Chapter, it is often evoked in this situation. In short, the Peter Principle is that given time, everyone will be promoted to a level of incompetence, and in carrying out the qualitative research, it was revealed that locals were frequently allocated jobs in an inappropriate way. For example, a number of key informants described how locals were placed into senior positions without any training or background in the area. In one case, a senior engineer, for the National Oil Company, was switched to become a Training Manager by virtue of his seniority as an engineer; and also the Training Manager's job had become vacant. A classical example of the Peter Principle.

The concept of the 'Middle East' is important to define and clarify at the outset and the subsequent analysis is related to this basic working definition. This is rarely done and some definitions when they are given are much broader than others and can take the Middle East to mean the area between Morocco in the West to Afghanistan in the East. This encapsulates the whole of the Arab-speaking world, but the definition is much too broad for our purposes. The Berber population of the High Atlas Mountains of Morocco have little affinity with the nationals of the UAE, they certainly don't even speak the same language. Instead, the Middle East has been used here largely (unless otherwise stated) to include the countries of the GCC which is also described as 'the Gulf area'.

The Arab League has 22 member countries covering an area of 13.5 million km<sup>2</sup>. Most of the writings in the West on political and cultural issues refer to the 'Arab World' without proper definition. Issues relating to the Arab economy – especially in UN, IMF or World Bank publications are often discussed within the context of the Middle East or Middle East and MENA region. (Al-Moneef, 2006)

The Ansoff and Boston Matrices relate to marketing and trading. For Ansoff, we have explained the four aspects of risk verses enterprise and the most risky element is the very route that the government is taking – currently very successfully; that of diversification which is defined as 'new customers and new markets'. This incorporates the transition from a local to a global market economy and involves the concept of privatisation. In total, this theory will suggest that the availability of a pool of cheap, qualified and well-motivated labour is available and it conflicts with the government's proposal to reduce the numbers of foreign workers. Although the key informants in the private sector were asked about the employment of locals, they almost unanimously preferred foreign labour – 'much more compliant and better motivated'.

The relevance and importance of the Boston Matrices is brought home by the concepts of the 'cash cow' and the 'rising star'. The key informants were generally of the opinion that it was the current high price of oil that is driving the development of the innovatory, private sector initiatives in Dubai. That is in the construction, leisure and hospitality, manufacturing, aluminium smelting, banking and finance and



gas industries. These innovative sectors are having their development underpinned by oil revenue surpluses and they are the rising stars in the Boston Matrix. An example of this development can be found in the Dolphin Project which is an initiative in partnership with Qatar. The Project was launched in March 1999 following an announcement by the UAE and Qatar of plans for a joint venture aimed at transporting gas from Qatar's huge reserves to industrial consumers in the UAE, Oman and other countries. Dolphin is intended to provide a framework to stimulate investment in a variety of related industries throughout the value-added gas chain. Key Informants predict that the UAE's demand for gas will double over the next decade.

Handy's 'Shamrock Structure' is directly and poignantly related to the research in a number of ways. Firstly, it suggests that the 'Core' segment should be greatly reduced and the locals occupied in this segment should be switched to flexible staff. The foreign staff who are ultimately holding positions in this segment should be 'shadowed' by local staff in preparation for their eventual takeover. Secondly, the flexible staff should take account of the role and function of women, as defined by the late President, H.H. Sheikh Zayed, his wife and President of the Women's Union, H.H. Sheikha Fatima and the Crown Prince, H.H. Sheikh Mohamed bin Rashid. These distinguished members of the ruling families are on the record by advocating that employers should 'facilitate' the ability of women to work and contribute to the development of their society, as well as in their role as wives and mothers. Employers should, in this segment of the matrix, smooth the progress of home working for nursing mothers, provide flexible hours and adopt a job share approach. Positive discrimination should be used so that women should not be forced to work shift work and stand-by duty in a society where the culture deplores women being out at night etc. 20 women team leaders were interviewed, all professional, and not one of these were prepared to accept promotion – because promotion would mean shift work. The twenty women (all from the National Oil Company) have collectively accumulated much professional experience (all were graduates and professionals, engineers, surveyors, architects, accountants, etc.) Recommendations are made in this respect, but suffice it to state at this stage, that only four interviewees (out of 120) knew about the concept of 'job share'. Only one of those interviewed said that they were prepared to try it. A further segment in Handy's Shamrock Structure suggests

that many of the jobs now done by the 'flexible staff' could be contracted out. For example, property maintenance, catering, cleaning, distribution, security, etc. Many of these functions are now in the hands of private contractors, and, once again, it demonstrates the need for foreign labour as few locals would be prepared to undertake these duties. (Emphasising once again the need for foreign labour).

However, in order to test the hypothesis (that sustained economic, social and cultural development will be enhanced by the presence of foreign workers and that far from attempting to eliminate and marginalize foreign workers, they should be treated as an asset and not a cost or liability), it was essential that one should seek out the opinions and perceptions of a cross section of the decision makers and leaders within the UAE community. This would involve both government officials and influential businessmen and it was planned to interview over 120 community leaders ranging from the President's Personal Advisor to the Senior Under-Secretary of the Abu Dhabi Municipality, the Director of the Statistical Department of the Ministry of Planning and the current Chairman of Abu Dhabi chamber of Commerce. The research indicates that the government is following a populist movement in reducing the number of foreign workers by half within four years. Indeed, in many interviews for this thesis the points were made that the maintenance of the present levels of foreign workers simply serves to undermine the social and cultural system. The phrase 'locals will be swamped...' was frequently heard from interviewees and 'it is our wealth, why should we share it...'. However, this study offers a different perspective that runs counter to the 'official view', and specifically it is highly critical of the government sponsored TANMIA, the organisation set up to put locals into work.

#### **14. Main Findings**

Firstly, it will be seen that the labour force is segmented into the private and public sectors, with the local workers gravitating toward the better-paid, more secure, lucrative benefits offered by the public sector. We shall see that, on average, over 91 percent of the employees of private sector organisations are foreign and are clearly essential to the viability of their enterprises. The terms and conditions of service in the private sector fall far below that enjoyed by locals in the public sector. Secondly,

and arising out of the analysis so far, is the conclusion drawn from this study that the foreign and local work force are not in competition with each other. There is plenty of evidence to conclude that the work carried out by the vast majority of foreign workers is work which has been shunned by locals as being beneath their status and therefore considered by them to be inappropriate. The data collected overwhelmingly supports the view that in the areas of construction, manufacturing, service industries, hotel and leisure organisations, agriculture, financial services, etc. the representation of locals in the labour force is only about one to three percent. This position is compounded by the paradox that with an almost doubling of imported labour each year; the unemployment of locals is becoming an increasingly worrying feature. The employment of locals in the private sectors (as outlined above) will be directly related to the 'self-esteem' aspect of Maslow's *Hierarchy of Needs* (outlined briefly in Chapter 1) in that there is a perception that locals working in this sector bring 'shame', 'scorn' and 'denigration' to themselves and their families. As one local informant succinctly explained; "It is my country, why shouldn't I have the choice of the best jobs" (A senior engineer working for ADMA) This sentiment was endorsed by an occupational therapist (local female) who reasoned 'Locals should select whatever jobs they want, the foreigners should fit in where they are needed'. (Member of staff of the National Oil Company) The view that the segmentation between the public and private sectors and between local and foreign labour was expressed and endorsed by over three quarters of the local key informants. These views will inform the conclusions and recommendations stated below.

Further, inadequate training leads to under-performance and increases the reliance on foreign labour to supplement the lack of skills within the local labour force. So, in keeping with the stated hypothesis, the two reasons for the considerable reliance of foreign labour are (1) that locals are not in competition with the foreign labour as they will not work willingly in the private sector (Maslow's Hierarchy of Needs), and (2) the need for private sector employers to have cheap labour to undertake the jobs that locals are simply not willing or able to do.

In addition to eliciting the views of the key informants on the retention of a large pool of cheap foreign labour, the question was raised on performance achievement. Performance here is related both to the work of the locals and of the foreign workers.

On the point of performance improvement, the informants came up with a conclusion which concurs with their views on the inappropriateness of motivating foreign workers due, they reasoned, to the short term nature of their contracts. Similarly, 83 percent of the informants argued that staff development and career development programmes and performance appraisals for foreign workers are unproductive for the same reason. It was decided to measure the 10 case study businesses as 'learning organisations' and the special 'Organisational Change Profile' was designed and applied to each of these case study companies. These proved to be most accurate in terms of a high correlation between the information gathered from the key informants and the data as applied to the 'Change Profile'.

In the UAE, the government has committed a substantial proportion of the oil revenues to provide benefits for its citizens. The overall cost of this commitment has increased sharply in recent years as the population has grown and got older, unemployment has increased dramatically, inflation has increased as has the demands made on healthcare provision and other public service sectors. Additionally, nationals are reaching retirement age and are drawing heavy pensions from their public sector employers and the evidence suggests that with the contraction of the oil revenues and the growth of privatisation, the rise in the unemployment of locals and increasing government expenditure on infrastructure improvements, are all impacting to make these benefits unsustainable in the long term. The high price of oil currently has given the government a respite from fiscal difficulties, but the oil revenues are notoriously fickle and the national budget cannot rely on stability here. For example, Etisalat is the monopolistic public sector telecommunications company in the UAE. By a cabinet decision taken in 1998, it pays 50 percent of its overall profits every year to the federal government. This revenue goes to projects such as The Marriage Fund and The Zayed Housing Programme. Currently (2004), Etisalat pays around Dhs 2.5 billion per year to the government as a royalty. But, the future of these 'good causes' is limited as the telecommunication company is earmarked for deregulation and privatisation – where will the government make up this shortfall when the corporation follows the wishes of the (profit-driven) new Board of Directors (largely foreign investors)?

The UAE economy seems set fair to increase its non-oil contribution to GDP well into the next generation. But at the present time global society and international trade is the order of the day and from the UAE position, this can only be achieved by the country's leaders inspiring and motivating all contributors to economic growth and wealth creation. This statement inculcates the three segments of the labour force which is of interest to the present thesis; local male workers, local female workers and foreign workers. Without creating this atmosphere of mutuality with all contributions from both foreign workers and nationals considered as valuable, national performance will decline and the UAE will be an also-ran, mediocre and inconsequential nation state with a large balance of payment deficit.

The UAE government should be advised that times have changed and is now time review its policy on expenditure for locals (recommendations on this aspect are made in the thesis) and, indeed, some revision to this policy is being forced upon it by the WTO (viz, the abolition of subsidies for locals for land, building, materials and start-up). It has to implement a new economic restructuring taking cognisance of the need to fit future economic development with its proposals for privatisation, Emiratization, globalisation and liberalisation. The government should aim at providing foreign investors with a positive business environment supported by strong macroeconomic policies, a structured and transparent legal and tax system, a highly developed and physical infrastructure, especially in tourism, transport and telecommunications and a large pool of semi-skilled and highly skilled labour – both local and foreign. Access to the labour courts should be simplified and made available to foreign workers against local employers. Technology transfer should be encouraged in private sector businesses; although this is capital intensive it has the potential to reduce minimally the foreign labour force. This is happening in Dubai under the guidance of the Crown Prince, His Highness Sheikh Mohamed bin Rashid. (See Cohen, 2004).

Thirdly, and once again arising out of the previous point, the thesis contends that the employment of foreign labour *per se* has an underestimated valuable contribution to make, in addition to the inherent input it makes to economic growth. The main thrust of the thesis claims three principal ways that the importation of labour supports the socio-economic progress of UAE society: it liberates the locals to undertake staff

development and vocational training; it provides more senior jobs for locals as supervisors and managers (of a rapidly expanding foreign workforce; and it provides the wherewithal for circulating capital creating more jobs in retail, manufacture and agriculture. It also considerably enhances the tertiary sector in jobs such as financial services as much of the income is repatriated via local banks and other local agencies to the countries of origin.

Fourthly, jobs in the public sector where most of the locals are clustered are diminishing with privatisation and, particularly in the oil industry, revenues only account for about 20 percent of GDP, almost the same contribution to GDP as is made by the manufacturing and construction sector. Therefore, if locals are not prepared to switch to the private sector, it is highly likely that the already high unemployment among locals will increase further.

Fifthly, and although this point is not appreciated among locals, it is among government officials. It is highly likely that a ruling will come from the ILO that foreign workers who have lived in the UAE (and other GCC countries) will be entitled to apply for citizenship after a period of five years. The research informants for this study revealed that this will explain why the government is seeking a substantial reduction in the number of labour cards issued. There are numerous foreign nationals who have been resident in the UAE for longer than four years and the government wishes to avoid granting citizenship to all these non-Muslim workers. One key informant pointed out that the contracts for expatriates typically are for two years. Following this period, it is customary for the employer to provide the expatriate with a ticket home and then renew the contract for a further two years. The informant suggested that these four years will be the maximum and that the contract will not be able to be renewed once more. (Which may make the worker eligible for citizenship.) It also appreciates that currently there is a 'visa free zone' and open borders within all countries of the GCC alliance and as UAE has the highest per capita income in the GCC, it is probable that immigration from GCC countries is likely to increase substantially.

The sixth point relates to the balance of workers in UAE. There appears to be a shift in the balance of workers and by the importation of large numbers of technical

workers from abroad, it lowers further the status of locals (who do not like technical jobs and do not have the skills and qualifications) and haven't been trained to the standards of the foreign technicians. It is this foreign labour that is attractive to foreign investors due to their superior technical skills. If/when there is an interruption in the supply of this skilled labour, there will be a profound impact on incoming foreign investment. One must also remember here the rise of the sleeping industrial giants – India and China. They too are in need of a large influx of semi- and highly skilled labour, increasingly so.

The seventh point focuses on the Indian economy. A decade ago when there was a mass exodus of Indian workers to the GCC countries and beyond, India was still gripped by a largely agrarian economy. People were trained as technicians, but jobs were few and competition robust. Pay and benefits were poor. In the UAE, pay and benefits are determined by using the country of origin as a reference and pay and benefits are for foreign labour fixed well below the local workforce and marginally above that which they would experience 'at home'. The pace of change is rapid. The Indian economy is now dynamic and economic growth robust and centred upon manufacturing, IT and industrial production. In fact, the same areas of work and skill levels that is required in the UAE. The differentials between working in India and working in the UAE for a highly skilled technician have all but disappeared and the supply of skilled foreign labour to drive the expansion in the private sector in the UAE may ultimately come to an end. The demand by foreign investors will outstrip the supply and drive the foreign investment elsewhere where there is no shortage of competition and where, possibly, the foreign worker will enjoy a much higher status and more equitable benefits.

Research has indicated that local key informants do not appreciate the seriousness of a lack of highly skilled and experienced technicians among the foreign workforce and the impact this will have on attracting FDI. Neither do they perceive the impact that the continued reduction in oil revenues will have on public sector employment opportunities. Add to this the fluctuating price of oil will level out when Iraq becomes more stable and the oil revenues will stabilize and ultimately decline.

The eighth conclusion, from a theoretical point of view, holistically, UAE has been regarded as a 'system' and the culture, religion, businesses, government, trading alliances, etc. are sub-systems within the overall boundary. As in system's theory generally, "A system is a collection of individual parts which come together to achieve a common purpose. Weakness at any one or more parts of the system, will be reflected throughout and result in a loss of performance in the whole system". There are a number of very clear relevant factors here. Firstly, the labour force is part of the overall system. Without a cheap, skilled and flexible labour force, the process of privatisation and diversification will flounder in the face of global competition. Inward investment would be attracted elsewhere and there would be a decline of exports and re-exports. The high rate of economic growth would decline and so would the new-found industries of manufacture, construction and agriculture. The service sector (including the hospitality industry) would be 'starved' of manpower and the tourism sector will go into decline. If fewer businessmen are travelling to and from the UAE, how will the new airlines recoup their massive investment commitments; Emirates, Etihad, Arabia Airlines, etc? What happens to the new enlarged Dubai and Abu Dhabi Airports and the enlarged port facilities to take the giant cruise liners, if there is not a reservoir of cheap labour? Who will work on the growing farming industry without foreign labour? The UAE cannot feed itself and apart from oil and gas, the UAE has no natural resources (apart from possible aluminium and uranium). There will be a need for greater imports and the balance of payments will widen. Competition among GCC countries will heighten and the FTA is undermined by the tensions created by the competition. Where will the money come from to reduce budget deficits? It cannot be oil because the OPEC targets for oil production have already been reached. Certainly, locals will not readily take over the jobs now being satisfactorily done by foreign labour.

In conducting an economic, social and cultural analysis, the foundation of the study is placed in the context of Islamic thought and principles and Shariah Law. A number of management theories, points of contrast with western competitive market situations are noted and points of contrast with western competitive markets forces are discussed. However, external, non-Islamic influences are becoming of greater importance to UAE as markets become globalised, trade alliances are entered into and UAE society 'opens' up, privatises, diversifies and de-regulates.



The ninth conclusion also relates to the need to attract inward FDI. Greater economic liberalism is urgently required which will provide some financial flexibility for the foreign investor. There are signs that this is happening, but imperceptibly slowly – the elections to the Board of Directors of Abu Dhabi Chamber of Commerce with women and foreigners represented is just one example. Another is the Dubai's Executive Council which comprises around forty people representing Dubai's largest business families with a representation from government and semi-government groups. Foreign investors need to know that they do not have to rely on locals to take decisions about their businesses, to manage bank accounts, to lease property, to buy land, to own a majority of equity in their own companies. What should be encouraged is heightened motivation and enthusiasm, equality of treatment between local and foreign workers, but the research suggests that this is not forthcoming from their local industrialists.

The issue of adapting to a globalised economy is at the forefront of most local companies, and if it is not, it should be. This is an aspect which is fundamental to an understanding of employment and trade in the UAE. This is also a major drive towards the government's strategy of privatisation and the attempt to attract FDI. UAE is a very small country of less than 1.5 million, most of which are expatriates. Competing in world markets and particularly against the large free trade zones of Europe, USA, China, Japan, etc. by itself in the non-oil sector will be impossible as the cost of producing a local product is much higher than the cost of a similar product abroad. So, it will be remembered that UAE is part of a FTA comprising its near neighbours and called the Gulf Cooperation Council. The members include Saudi Arabia, Oman, Qatar, Bahrain and UAE. . It would appear that the GCC will soon be a member of a FTA with the European Union and with the United States.

The GCC countries all have the necessary ingredients for successful private-sector-led growth. Their economies are closely integrated with the world economy and they are currently all very attractive to foreign entrepreneurs. As all members of the GCC are also members of the WTO, the global trading position will provide benefits far beyond those which were expected when the GCC states ascended to membership of the World Trade Organisation. For example, all states are cognisant of the need to

speed up economic liberalisation and the development of credible and well supervised financial and equities markets which is compatible with coping with the new order of globalisation. The move towards a unified monetary policy, to be completed by 2010 will enhance cooperation between the GCC as a trading entity and also the countries of the GCC which still rely on oil revenues will have a large competitive advantage dictated by the fact the Gulf Oil enjoys a low production cost compared with oil produced in other areas. These oil revenues provide the 'cash cow' to underpin the movement towards privatisation.

The government is faced with a dilemma of either deporting (or restricting the entry of) foreign workers encouraging nationals to take jobs in the private sector; with potentially adverse implications for competitiveness (given the differential in terms and conditions of employment between nationals and foreign workers) or maintaining the open door policy and facing the social consequences of exacerbating the unemployment situation for nationals. UAE, in common with most GCC countries have adopted a middle of the road strategy, they have sought to reduce foreign labour through quotas and indicative targets and used incentives and training to encourage nationals to relocate to the private sector. During the research process, many of the local respondents claimed when asked if they are prepared to switch to the private sector; "I am in my own country, so why should I have to adapt to the job market. In fact, the job market must adapt to me" (or a variation of this 'mindset'). If Emirates want to succeed in private sector jobs and achieve high level employment, they will have to study hard, succeed in gaining appropriate qualifications and accept a reduction in the inequity between themselves and their foreign worker colleagues. The employment of these foreign workers will facilitate the locals to study and qualify and then 'shadow' the higher level positions now occupied by foreigners. But the strategy will take 10 to 15 years for them to get the qualifications, change the mindset, and gain the experience and, in the meantime, foreign labour drives the economy. The employment of nationals in manual labour, e.g. in construction, is another issue and one can anticipate that the status quo will remain for as long as the current construction boom lasts. However, the writing is on the wall for the decline of the oil driven public sector.

Finally, the hypothesis (p. 29, above) is confirmed by primary research, and this is that sustained economic, social and cultural development will be enhanced by the presence of foreign workers and that far from attempting to eliminate and marginalize foreign workers; they should be welcomed treated as an asset and not a cost or liability. The thesis is brought to an end by drawing conclusions from the primary research and the analysis and functional recommendations are made.

The final Chapter deals with the skills and competences of locals and their representation among the labour force of a dozen of 'targeted case studies'. Clearly, the prosperity of the labour, both nationals and expatriates, depends mainly on the strength of the UAE economy and the indicators for the short- and mid-term are favourable. Over the last four to five years, the world economy has been hit very hard by a series of incidents and scandals, which served to inhibit global trade. Not so for the UAE. The UAE economy went from strength to strength which reflected on the heightened numbers within the labour force, still overwhelming expatriate. In the process of economic diversification, new products and new markets <sup>(Ansoff, 1957)</sup>, this relates largely to the encouragement of privatisation and the attraction of foreign direct investments. If foreign investment is to be attracted, there must be attractive opportunities. Privatisation and the liberalisation of fiscal laws and deregulation have provided this attraction. In the year 2001, it is estimated that the output from the non-oil sector of the economy accounted for 77.99 percent of GDP, which was up from 76.1 percent in the previous year. The average growth rate of GDP in UAE is 13.2 percent, at a time when most mature economies are in a state of stagnation at best and frequently experiencing negative growth, but the growth figure in UAE itself represents one of the fastest growth rates in the world. In addition, UAE has the highest male workforce in the world, measured by men as a percentage of the labour force, (82.2 percent). It is followed by Qatar and then Saudi Arabia. <sup>(Abu Dhabi Economy, 2002, p.19)</sup> When it comes to living standards, Luxemburg heads the global list with \$43,090 GDP per head. The United Kingdom ranks 13<sup>th</sup> with \$23,680 and the UAE comes 19<sup>th</sup> with an estimated \$22,690. Not too bad for a developing state which has only been in existence for 34 years!

With indicators like these it suggests that the economic processes, which have been devised and implemented over the past few years, have proved to be effective and

profitable. This includes the policy of diversification of the economy. Part of this strategy is the programme of 'Emiratisation' and this chapter, in keeping with all others, generates a cautionary note that change in the structure of the labour force will serve to inhibit further developments and inhibit competitiveness and prosperity. Change in these circumstances should be incremental and strategic and carefully prepared. (Quinn, 1979) Chapter 7, having undertaken extensive research with selected companies, concludes that the preparation and strategic planning for Emiratisation, is still far too premature for implementation. A systems approach to organisational analysis is adopted in this chapter, which initially looked at the concept of diversification. The concept was then applied to ten differentiated companies and a number of theories are examined and then applied in a unique way to these case studies. Managing change in both bounded and unbounded situations is explained, as it should be remembered that the move towards Emiratisation involves people management – highly complex, messy and unbounded. The theories of two so-called 'management gurus' are outlined and the combination of the two is developed by this author into a unique tool for analysing the position of skilled labour and the attitudes of the targeted companies to their human resources. The tool has been named '*The Organisational Change Profile*' and relates to the maturity of the organisation based on an employee developmental index – Kaisen. The chapter concludes by suggesting that, without exception, the case study companies have a long way to go before they can call themselves 'learning organisations' and before they develop the prerequisite skills among locals to maintain and sustain at a high level of profitability these private sector businesses. Certainly this notional transformation (from foreign to local labour) cannot be achieved in the four years to 2010 as the government target requires. We will see that the percentage of foreign labour receiving labour cards in Dubai has, far from diminished, has doubled in the last 12 months following the trend of economic growth in that Emirate..

The primary research suggests overwhelmingly (confirmed by 84 percent of the key informants) that very little developmental activities are offered to foreign workers; "All our foreign workers are on a fixed term contract, usually for two or three years. Why should we waste resources on training and development for employees that we want to replace by locals as soon as possible?" (Comment by a senior engineer in a primary research interview). This view, however, takes little regard for current performance levels and

one may ask, 'if locals were available to take over the jobs now being done by foreign workers, why employ the foreigners in the first place?'

A Chapter containing conclusions and recommendations follows Chapter 9. The conclusions relate directly to the research objectives and the ensuing analysis and the recommendations pick up on the research objectives. Throughout, the concept that the employment of foreign labour can have positive ramifications for the training, development and career opportunities for locals is rarely considered by official agencies and nationals alike. Additionally, this section refers to 'A problem orientated study' and the definition and parameters of research into these problems are outlined in pp. 84-89 below.

The first chapter now outlines the theoretical constructs that have been used for, and underpin, this empirical research in relation to the working hypothesis outlined on page 29.

**CHAPTER 1**

**APPLIED THEORETICAL CONSTRUCTS**

## 1. Introduction to Theory

To provide a context for this study, this chapter will focus on the theoretical concepts which are developed as the framework for the rest of this thesis. The chapter briefly discusses the theory used both in the research and in the analysis. It starts with the concept of globalisation and its ramifications and implementation. This is a concept which is practical in its approach, opportunistic in its application and visionary in its planning. Globalisation, as a concept, is directly relevant to the research hypothesis (p. 29) as the economy of UAE is dependent of foreign workers from many different parts of the world. Globalisation is directly relevant to every chapter of this thesis, including the conclusions and recommendations.

The brief analysis of globalisation is included as the concept – in theory and practice – permeates all social and economic activities, and the research suggests that the key informants, the subjects of the primary research, are just gaining some recognition of the importance of this concept.

## 2. The Concept of Globalisation in the Middle Eastern Context

“If we want to take part actively in the new global thinking and participate fully in the running of our world then we should be rigorous in our endeavours and in applying our knowledge, but also we should be faithful to our principles.”

HRH Prince Khalid Al Faisal Bin Abdul Aziz Al Saud, *World Economic Forum*, New York, 2002

Cohen (2004, p. 247) argues that one of the major challenges is finding the balance between global uniformity and national diversity;

“Globalisation, it is true, does not benefit every nation equally and automatically. ‘Creative destruction’ is the term economists use to describe the ultimate engine of growth in a market economy. It takes vision and foresight to see the fundamental trend underlying this unfolding process. Indeed, globalisation demands hard work and wisdom in finding flexible institutions to adapt to this precarious historical process socially and institutionally before a nation can benefit from it. In other words,

globalisation raises the stakes. It demands deeper cross-boundary collaboration among people from diverse contexts – social cultural, technical and organisational – with shorter deadlines, higher investments and wide social and organisational impacts...”

That globalisation will have an impact on the nature and shape of the labour composition throughout the world, in general, and in every country in particular.

Primarily, the underlying theme of this section relates to the ability of states in the region to embrace the concept of globalisation and its impact on employment issues and a number of management theories are used here as tools to achieve this objective. Globalisation as a concept is one of the defining terms of the 21<sup>st</sup> Century. It is inherent in the consciousness of all societies, economists and governments, whether actively or passively, and in economic, political, social and cultural terms – separately or holistically. By definition, it may be said that the concept of globalisation transcends geographic boundaries and nation states and reflects the multiplicity of linkages and interconnections inculcated in the term itself. As such, it is essential, at the outset to define and clarify the important 21<sup>st</sup> century concept of *globalisation* for the purposes of providing clarity and depth to the present study:

"Globalisation defines a process through which events, decisions, and activities in one part of the world have global repercussions (positive and negative). Owing to its amorphous nature, the main three camps of the international political economy discipline regard globalisation differently. First, there is the economic determinism or neo-Liberal camp believing that the global market will achieve the harmony of interests among nations." Second, there is the neo-Realist camp believing in the centrality of the state in the international order. Third, there is the neo-Marxist camp believing that globalisation is another version of colonisation that would increase the dependency and vulnerability of the developing world and further widen the gap between the rich and the poor." Beshara, 2000, p.2, also Weir, 2001, p.2

As Beshara notes, within the discourse on globalisation, the Middle East is rarely referred to as one of the influential regions in the international system. She further argues that the reason that it has been left out of the global economic race is attributable to 'its political conflicts and this explains the slowdown in the development of the region.

Zineldin, in a paper given to the Fourth Nordic conference on Middle Eastern Studies, Oslo, describes the process of globalisation in a most graphic way:



"Aggressive globalisation 'emerging from the global village', increasing homogenisation of tastes and attitudes, deregulation and eliminating of physical, fiscal/financial and technical barriers, rapidly scientific and technological innovations, and predictive uncertainty, are some factors that underlay the importance of emerging the new economic integration approach and relationships among bloc countries." (Zineldin, 1998, p.1.)

Zineldin gives the main reason as being that most countries and organisations cannot always have the resources or know-how to cope with increasingly complex global environments from internal resources alone. Therefore, the traditional thinking about the special intensity of competition and marketing activities, as well as the old nature and boundaries of countries and organisations become less and less useful in organising economic activities. In effect, an economic alliance or network based on co-operation, collaboration, flexibility, adaptation, risk and cost-reduction shared interests and long-term objectives, closeness, openness and a commitment between different countries (alliances) on an integrating ongoing basis. The general consensus is that in the '*global*' economy, to meet the new global challenges and opportunities, regional alliances based on co-operation is more effective, in terms of the achievement of long-term goals, than competition.

Unfortunately, although governments throughout the world are revitalising their economies (under the auspices of three main economic blocs, USA, Europe and Japan), Arab economies on the other hand are not undergoing a similar metamorphosis. Nonetheless, this is not the case in the UAE or in the Gulf Cooperation Council (GCC) area generally. The question here is mainly the reluctance to change and the 'tribal' nature of business and commercial developments. It was said many times in the course of the primary research that 'we have the GCC to provide regional influence', but most (more than 85 percent) of the key informants were not even aware that by or before 2010 there will be established a 'common GCC single monetary policy', that the Dirham will disappear <sup>(one informant actually said 'never')</sup>, and also that a free trade area already exists with the GCC. (Said A Al-Shaikh, Economic Consultant to the GCC) Similarly, it was not commonly known among the interviewees that people from the other GCC countries could settle and work in UAE without any additional visas. These (Arab) workers, it transpires, from other GCC countries, will also be reluctant to compete for the jobs presently occupied by the foreign labour from the Indian Sub-Continent and South Asia. If they do take over the

jobs of the foreign workers, then the same will happen to them; they will become marginalised and ostracised doing the work unfit for an Arab or Muslim.

So, on the one hand, we are told that there is too much conflict and strife that prevents the Middle East and the individual nation states from co-operating fully with each other and competing on a global scale, and on the other hand, the reasons for the lack of global involvement are largely geographic in that the Middle East is not part of one of the aforementioned three main economic blocs. We shall see below, that the countries of the Gulf have, potentially, *in situ* a very influential trading bloc in the GCC 'region', and the Gulf area can be expanded to inculcate the whole of the Middle East (as defined above) resulting a vast area and an influential economic and financial union. Pan Arabism has been unsuccessfully attempted many times before, but should it ever materialise, the UAE at least is a large player on the global scene. The implication in Zineldin's paper is that unless this area, rich in Arabic tradition and heritage, abandons their traditional and ancient cultures and become 'westernised' as in the case of the three major trading blocs cited above), the GCC will make little or no impact on the international scene. This demonstrates a failure to understand the future potential of the area, even without the massive oil revenues accruing to some of the Arabic states such as Saudi Arabia, Kuwait and United Arab Emirates. Traditional Arabic cultures are in no way incompatible with adaptation to the 'global marketplace'. Indeed, one only has to go back to just before the 'oil boom', and one finds that the Arab traders were at the forefront in overseas trading being a natural link between east and west.

The relevance to our main theme and research hypothesis is that should the union of Arab/Islamic states come about, the UAE will be 'swamped' with economic migrant workers and one can theorise that these will come from countries like Sudan, Somalia, Egypt, Yemen, Jordan, Pakistan, etc. Even when the construction boom is over in the UAE (requiring armies of unskilled cheap labour), the standard of living in the UAE will be much higher, compared to the standards prevailing in the countries of origin. (For example, in Somalia, War Lords are fighting each other for dominance and poverty abounds – a good incentive to migrate to another Muslim country with a high standard of living and a peaceful environment. It may well be that the focus of the nationalities of incoming labour will change, but the UAE

authorities will be impotent to prevent the mass influx of foreign workers from the developing countries within the expanded economic (and therefore political) Union. (Of course, with freedom of movement, the workers will be quickly followed by their large extended families). Additionally, this analysis should be informed by government policy in relation to immigrant priorities: after locals, immigrants, or foreign workers from Muslem countries in the expanded GCC, take first priority (all the above-mentioned countries are Muslem) and, as this analysis has adopted a model of an expanded GCC, Muslems from further a field, say Indonesia and Malaya will be afforded the second priority and then finally non-Muslems. The government policy was endorsed by one key informant who stated: "It is our absolute duty to look after our brother Muslems. If they are having difficulties in their own countries, then the Holy Koran tells us that we must not turn away from them. If that means they should come to UAE for a better life, so be it. That is our sacred obligation." (Sheikh Abdulla Bin Ham) The statement also endorses the statement above that suggests that Islamic principles underpin all activity in this Muslem state, social, economic and cultural.

Today, however, the evidence suggests that as a generalisation (which is narrowed down below), the Arab world has not sufficiently liberalised its economic endeavours to participate fully in the opportunities afforded by globalisation. A small single country standing alone could never hope to achieve competitive advantage against a large economic bloc; the bigger the bloc, the greater the advantage. For example, what will be the fate of small Arab countries such as Lebanon, Libya, Bahrain, Oman and Qatar, Yemen, etc. if they stay outside an economic alliance? There are signs, however, that the position is changing and Saudi Arabia is an example of economic changes occurring within the GCC whilst still retaining its traditional culture: e.g. 100 percent ownership of businesses and land by foreign nationals.

There is an irony in the smaller countries of the Middle East staying outside a system of regional alliances. Let us follow the inherent logic that can be illustrated by reference to Kuwait. Kuwait is rich in oil and gas deposits but it is dominated by the defensive treaties that exist locally and historically which force this small country to rely totally on the United States for protection from the aggressive designs of external forces. Kuwait has very low density of population, high per capita income, a heavy reliance on ex-patriot labour force, a narrow decision making base and ideological

tensions with the states of the region. Collectively, these factors contribute to Kuwait's political and economic vulnerability. Its local population, without ex-patriot labour, certainly is inadequate to sustain viable economic growth. As the words of Dr Saeed Al-Shaikh (Chief Economist NCB and Financial Advisor to the GCC), succinctly suggested when asked specifically about the role of foreign labour; "Without human capital you cannot add value to the economy. Economic growth will not be sustainable. This provides us with a great challenge." (In a primary research interview)

One the major objective of all Arab states is the goal of 'localisation' (also referred to as 'nationalisation'); that is to have a developed and skilled local (indigenous) labour force at all levels needed in the economy. Reliance on westernised expertise, for both economic and defensive reasons, serves to induce a culture change and (according to the primary research informants) thus diluting the traditional Arabic culture. Without local socio-economic integration between Arab states in the region, there is no independence from the reliance on the West. The UAE has 98 billion barrels of proven oil reserves that is greater than those of Kuwait and Iran and are five times those of the United States and it too is highly dependent on the West for its physical security, but it has signed a defence pact with France in 1995, Britain in 1996 and Turkey in 1997. The two Gulf Wars and the 'War on Terrorism' have also upset the political balance. Too great dependence on western nations or blocs, is not to the benefit of Arab nations or traditional Arab culture. Conversely, the United States is anxious to perpetuate the status quo as it depends on the Middle East for nearly half its oil imports, giving the US a big incentive to intervene when changes appear likely.

### **3. The Concept of the Middle East**

The second definition, or concept (after globalisation), that we need to address relates to the area known as '*the Middle East*'. Since the term (or concept) will be used frequently, and to convey a highly specific meaning, it is essential to define the concept at the outset and relate subsequent analysis to this working definition. The boundaries of the Middle East are defined differently depending upon which factor is used. The most commonly used factor is the Islamic religion. In such a way, the Middle East would include in addition to the Arab world, some of the newly independent states of Central Asia such as Kazakhstan and Uzbekistan, Afghanistan,

Iran, Pakistan, Malaysia and Indonesia. This study, however, intends to concentrate on the Arabic world and it is worth recalling that some 90 percent of all Arabs are Muslim. <sup>(Weir, 2000, p.501.)</sup> There are approximately one billion Arabic-speaking people, but the Arab world comprises about 280 million distributed in about 20 countries. <sup>(Zineldin, 1998, p.6.)</sup> These are linked by a common heritage, culture, language and, in most cases, religion, but with extreme differences in political orientation. Even within the GCC region, one can contrast the attitudes prevailing in, say, Saudi Arabia with UAE. Living standards too vary enormously, ranging from affluence in the oil-rich Gulf States to dire poverty elsewhere (particularly in the Muslim states of North Africa, such as Sudan, Ethiopia, etc.

Additionally, the great shortage in the UAE labour force is for 'knowledge workers' and particularly college-trained technicians and it is unlikely that the importation of Sudanese labour will be able to satisfy this increasing need. None the less, Etisalat, currently the monopoly telecommunications company in UAE, have just announced that they are opening a technical college in Sudan; "to train the Sudanese as technicians". One suspects that, in future, Etisalat will be looking west for their technicians, rather than, as now, looking east to India.

Despite the primacy of internal factors in the Middle East, individual countries have already felt the impact of a spreading global economy. European colonisation of the Arab region began in the early 1800s. Britain and France effectively controlled most of the Arab world until the mid-1900s. Two events occurred which still have considerable political repercussions: the establishment of the State of Israel and the discovery and exploitation of oil. The region has continuously attracted foreign intervention in one shape or another. External influences have, for the most part, helped bolster the state in the region and the Western powers, for the last 50 years, have promoted and protected the political *status quo* through the support of the conservative oil-producing states, arms sales to friendly regimes and direct and indirect intervention.

The long-term impact of globalisation on the state in the Middle East, through a whole range of economic, cultural and political interactions, may have the reverse

effect. Globalisation may actually weaken the position of the state in favour of the establishment of strategic alliances and international joint ventures.

Currently, the region is experiencing a particular form of economic development in which the values, norms, customs and patterns of behaviour that characterise a regionally based and religiously justified culture are being challenged in a variety of societal contexts. National economic planning looks to a growth in GDP of about 10 percent per annum <sup>(Director of the Ministry of Planning, Statistical Office)</sup>. To sustain this rate in the long term, UAE needs to balance a reduction on the reliance on oil revenues and a concomitant increase in its secondary and tertiary sectors of the economy, construction, manufacturing, agriculture, banking and finance, leisure activities, aluminium and mineral production, etc. To sustain this strategy, there clearly needs to be available a viable pool of cheap foreign labour.

#### **4. Planning and Managing Change**

Planning and managing change is an all-pervasive concept that, the research for this study suggests, is grossly under estimated by the opinion formers and decision takers in UAE society. > 89 percent of the key informants did not have a strategic approach for planning and managing change. The hypothesis set for this research is based on the declared position of the government that it would be in the nation's best interest to reduce radically the proportion of foreign workers in the labour market in UAE. Clearly, the current percentage of foreign labour is approximately 91 percent (there is a large contingent of illegal workers outside this official percentage), but if the government targets to reduce foreign labour to 50 percent by the year 2010 are to be realised, considerable change will be required in the composition of the labour force and the transition of locals from the public to private sectors.

The contention throughout this thesis is that the stated government targets are unrealistic and cannot be met. The current programme of privatisation, diversification and globalisation needs cheap foreign labour; foreign labour because the locals will not take jobs in the service sectors, manufacturing, construction, agriculture, etc. The very areas that the government has earmarked for expansion. The same goes for attracting foreign direct investment. Foreign investors will not

invest in UAE if there isn't an adequate pool of cheap labour. So, contrary to stated government targets, it is argued, that the proportion of foreign labour will need to increase in size to sustain economic growth.

It has long been an accepted axiom that 'the only constant is change', but now it is the 'pace' of change that provides the imponderable. 'Where is the change leading?' one might well ask and, the irony is that in an oil-rich country like UAE, the answer would be away from the exploitation of these fossil fuels. All governments in the area have agreed that too heavy reliance on oil revenues is counter productive. They have found this to lead to instability in the preparation of national budgets and volatility in the revenue available from this source. So the inevitable conclusion has been that 'change' is imperative and this study is built upon the assertion that much competitive success derives from the way in which private sector businesses plan, understand and manage the dynamics of change. (Diversification is inevitably accompanied by a diminution of the public sector and the growth of the private sector.) There are no universal laws for the management of change <sup>(Pettigrew and Whipp, (1991, pp.104-137.)</sup> and each business and the goods or services of that business, must be dealt with on its own merits and programme. However, in planning any changes, one must acknowledge that there are two factors to be accounted for; the 'system's' intervention strategy which is non-problematical and the outcomes predictable and quantifiable and so can be planned and costed in detail. This is a change involving 'things'. The second factor is the human element and involves people and can loosely be called 'organisational development'. This is the substance of culture change, a departure from tradition, the involvement of human emotions and feelings, the hearts and minds of those who have been socialised into the traditional Arabic culture. As we shall see, this aspect is far more complex and 'messy' (see Ackoff, 1993, pp.47-54.) "Why should we change to fit in with westernised social models, our culture is over 5,000 years old and our Holy Koran is the model which doesn't change and provides us with stability, fortitude and endurance." This comment, although not necessarily typical of a majority of interviewees, does provide some insight into the emotional resistance to change. The irony is that this is anchored on a misinterpretation of the Holy Koran that states that one must treat all workers with dignity, trust and respect and those managers should conduct a 'participative' management style with bottom up consultation. <sup>(Al IMRAN 159, See Hamdan, S.H., 2003, p.117.)</sup>

The degree of understanding of the dynamics and of planning change was encapsulated in the all interviews with senior managers. Very few of them (<10) did actually appreciate the complexity involved in careful planning and the high rate of unsuccessful change programmes due to this lack of understanding. For example, all of the 'interviewees' accepted the need for constant change to aid competitiveness, but constant change also requires constant re-skilling and updating and they failed to appreciate that in business, the need for quality and competence is not based on a person's country of origin. Similarly, this change concept also applies to technical as well as managerial staff (possibly more so). It applies to all labour, whether indigenous or foreign. In pursuance of the hypothesis, the author has developed an Organisational Change Programme (Chapter 9) and this illustrated the point that employers still have a long way to go to perfect '*the Learning Company*' and *Kaisen*. Senge stresses that company survival depends essentially on the maintenance of the 'learning organisation':

“In the long run, the only sustainable source of competitive advantage is your organisation's ability to learn faster than its competition” (Senge, *The Fifth Discipline*, 1990, Front Cover)

However, as we shall see, although the concept of 'developees' within a 'learning organisation' is applied generously for the indigenous population, it is almost non-existent in the expatriate worker who represent something over 90 percent of the total labour force in UAE. In the main, the expatriate sector is on short fix term contracts. Further, the Japanese writer has written on the related concept of 'Kaisen' and explained in his book *Kaisen – The key to Japanese competitive success*, that the concept involves:

“... a gradual and orderly continuous improvement involving everyone including both management and workers...” M. Imai, 1986, p.3

However, this shows that on a competitive basis in a global operating environment, fiscal viability involves change and performance and operational improvement. Changes are required in the way things are done, changes in the processes and systems and changes in the behaviour and culture of teams of people and individuals. Whether a quality improvement programme encompasses the whole organisation in



‘macro’ change, or whether a team of people are involved in a reorganising their business unit at the ‘micro’ level, the same principles of change management apply. However, in the primary research for this thesis, the principles of change management are not applied universally or equitably among the labour force and the whole sub-structure underpinning the corporate strategies are, as we shall see, largely based on the maintenance of traditional working methodology – the status quo – whereas the new order of globalisation requires a fundamental and structural change in attitudes, culture and practice. According to the key informants, (more than 90 percent), a worker gets approved a training and development programme based on whether s/he is a local or expatriate. So, in analytical terms, the foreign labour which represents over 90 percent of the labour force, receives a smaller amount of training than the less than 10 percent of locals. Training and development opportunities are clearly allocated on a very selective basis and it is the private sector which loses out due to the employment segmentation. Fewer training opportunities in the private sector means lower performance leading to smaller profits. Here we see the relevance of Maslow’s ‘Hierarchy of Needs Theory’ for both segments of the labour force. On the one hand, the locals do not wish to lose their personal esteem, which are equivalent to Maslow’s higher order needs. They claim ( in many interviews) their dignity will be removed by working for the private sector; “It will bring shame, discredit and humiliation” was a frequently heard response. The foreign workers, on the other hand, needed above all security of employment, intrinsic motivation, perception of ‘fair treatment’, building of their self image, etc; Maslow’s lower order needs.

From an emotional and pragmatic perspective, change management conveys a negative aura that is perceived in terms of layoffs, re-skilling and downsizing. In this sense, the terminology works against the protagonists for change because of its negative connotations and rigid and inappropriate attitudes and in turn discourages managers in the UAE to engage in management strategies that involve facilitating organisational change. Confirmation will be provided that this ‘negative’ attitude prevails among the decision makers and opinion formers and apart from some enlightened leaders (Most notably the Crown Prince of Dubai, Sheikh Mohammed Bin Rashid), strategies are not widely applied in the UAE suitable for the new globalisation, privatisation and emiratization order and this will be confirmed during the case-study analysis below. The *status quo* provides an illusionary safe, secure and

profitable economic environment and, as two of the founders of the field of organisational development, Beckhard and Harris, stated in 1987, "Change is not a neat sequential process". (Beckhard & Harris, 1987.) It May not be a neat process, and it will almost certainly involve a good deal of upheaval and reorganisation, but change is an imperative in the UAE and the process typically "will be modelled as a three part process that takes a flawed organisation, moves it through an arduous transitional stage and deposits it at the end in an enriched, desired state." (Kanter, Stein, & Jick, 1992.) This process actually involves the UAE companies to appreciate the need for economic diversification to equip them to compete on a global scale. The decision makers must be awakened to this new reality (imperative) and flexibly disengage from the *status quo* by recognising that its continuation is no longer an appropriate or viable strategy. Recommended here for the opinion formers in UAE is a holistic and integrated approach to this change process as Kanter *et al* argues that change is only successful when the entire organisation participates in the process. A General Manager of an oil field rental company summarised the reality of the situation: "As far as managing change is concerned, standing still without change actually means that the business will be going backward".

The people who comprise any organisation can be categorised into three broad change categories: change strategists, change implementers and change recipients. In UAE in general, the strategists can be considered tribally as the Ruling Family, the Government and high ranking local leaders, the implementers are the senior management and project leaders, and the recipients are typically the 90 percent or more of the workforce which is overwhelmingly expatriate. To relate theory to the practice in UAE, Pettigrew<sup>(Pettigrew, 1985)</sup> argues that change should be considered not only in terms of processes (Process here is defined as the 'how' of change) and systems, but that change should also be seen in the historical, social cultural and political context (context is defined as the 'why' and 'when') of the organisation and the change. (Pettigrew, Ferlie & Mckee, 1992.) Pettigrew and Whipp<sup>(Pettigrew & Whipp, 1991.)</sup> take the context issue further and propose that "Formulating the content of strategic change crucially entails managing its context and process." (Content is defined as the 'what' of change and is concerned with the areas of transformation.) The dynamics of change, which includes forecasting, planning, implementing and evaluating, are all essential skills and the planners of the macro economic environment within the UAE

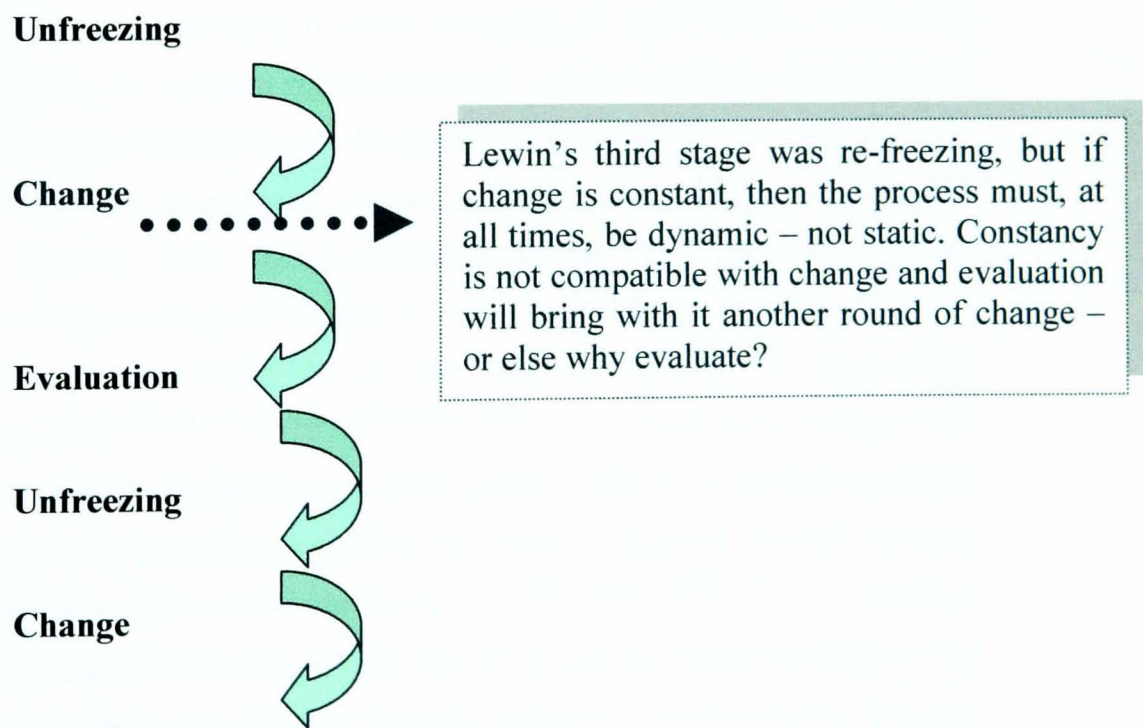
and beyond, need a profound understanding of these dynamics. A number of senior planners were included amongst the 'key informants, and interviewed. These included in the public sector a planner for the National Oil Company whose concern was 'Corporate Performance', for the monopoly telecommunications company, who was concerned with post-deregulation and privatisation and also many managing directors, general managers in the private sector (See appendix 5). It is essential that we understand the dynamics of change, prior to embarking on the primary research. Otherwise, without this understanding, the discussions and information gathered will be rendered worthless. To gain an insight to this change process, and the impact of non-action in the UAE, we turn to the precursor of the change process, Kurt Lewin.

Kurt Lewin <sup>(Lewin, 1947, 1, pps. 5-41.)</sup> proposed that organisations are systems that are held in balance by equal and opposing forces. For the equilibrium position to be altered, that is for organisational change to occur, there must either be a strengthening of the driving forces or a weakening of the restraining forces. His '*forcefield*' model describes the process of organisational change as one of three stages: *unfreezing* the current organisational equilibrium, *changing* to a new position and *refreezing* in the new position of equilibrium. This still remains the accepted wisdom among many of the management gurus and in most textbooks, but the version of stability is contended here because of the emotional and attitudinal nature of essential and inexorable changes in the Middle East, and therefore the 'accepted wisdom' no longer applies.

Lewin's assertion of the three stages of change may have been appropriate in the 1940s in the West (When Lewin was writing), but the claim here is that it is certainly not appropriate in the UAE of the new millennium. The interview with the senior planner at the telecommunications company confirmed the inadequacy of the 'three stage' argument. He reasoned with justification that the company had to be prepared for privatisation and this is a wholly separate process. Then comes the development of the change strategy including downsizing, re-skilling, internal investment, evaluation, etc. The next stage is to invite interested parties to tender, and so forth. Clear stages in what he described as 'incremental change'. Therefore, in the light of the pace of change in UAE, Lewin's change theory has been modified here from three to five stages as follows:

In this sequence, which is iterative and not linear, the basic premise is that change is constant and change in the Middle East is no exception to this rule. The ‘unfreezing stage’ holds the key to the success of the change project and this was explained in the Holy Koran, long before Lewin wrote in 1947. The essence of the theory is that those who are going to be involved in the changes should be consulted about the changes and that ‘compulsion’ (to change) is incompatible with Islamic principles. Therefore, the ‘unfreezing’ stages in Lewin’s model (as amended here) is an essential (but rare) process in UAE. (AL BAQARAH, .134, cited by Hamdan, 2003, p.119.). The Koran ‘orders’ (in AL IMRAN 97, cited by Hamdan, 2003, p.117.) the ‘Participative Approach’ in which leaders and subordinates should concert with one another before a decision is taken, in Islamic principles, the decision making process should be shared. Lead to a decentralisation of authority. “The leaders ask the subordinates to give suggestions, present their points of view in order to reach sound, realistic decisions so as to achieve their best performance”. There was little or no evidence of this essential ‘unfreezing’ approach emerging from any of the 120 or so primary research interviews.

**Figure 1      Revised version of Lewin’s 3 stages of change**



Similarly, the Holy Koran is in favour of 'participative authority' as a tool to secure unity and involvement as well as the follower's self respect. The 'participative approach' to management is further endorsed in AL 'IMRAN<sup>(159, cited by Hamdan, 2003, p.117.)</sup> and that the concept of managers consulting with their staff before taking a decision, is ordered by ALLAH and pioneered in Islamic principles to foster sharing in decision making leading to decentralisation of authority. Specifically, the leaders ask the subordinates to give suggestions, present their points of view in order to reach sound, realistic decisions so as to reach the best performance<sup>(AL 'IMRAN, 97, cited by Hamdan, 2003, p.117.)</sup> It is stressed throughout this thesis that Islamic culture is at the heart of all activity in UAE. Without exception, all the Muslim 'key informants' expressed the view that all employees were working for the good of Islam and of Allah and were guided in their daily activities by the Holy Koran. Therefore the culture (the way we do things) of this Islamic state should adhere to the teachings of the Holy Koran. The paradox is that with one exception (the Human Resource Manager at Total, Fina, Elf), all the other 'key informants' expressed the need for 'strong', 'non-participative' management, which is a cultural perspective not in keeping with the ideals contained in the Holy Koran and therefore notionally incompatible with the indigenous culture of the region.

The Holy Koran also incites those to resort to equity and justice in exercising one's seniority and power, to maintain rightful decisions even those that could be against oneself as a manager. Resistance can be expected when those to be influenced are caught in the middle of strong forces – some pushing them to accept change and the other forces deterring them against accepting change. The resistance of those responsible for implementing the changes is explained that this arises because of lack of participation, which could be in the form of bottom up face-to-face communication.<sup>(AL MAIDAH, 1, p.55, cited by Hamdan, 2003, p.116.)</sup> As Hamdan relates, "The leader has to be what is regarded now as a democratic leader to incite participation in decision-making and in setting objectives to reach a decision through upwards communication from followers to the leader ..." (See Hamdan, 2003, p.209.) Modern theories on planning and managing change, including Lewin, provide solutions to the prevention of resistance to change through effective communication, positive motivation, participation and involvement and also the need for change and the advantages of changing for the individual. Managers are called upon to be more

moderate and realistic in their aspirations while, at the same time, be innovative and alert to the need for change.

It is now appropriate to view the forces for and against change by reference to Kurt Lewin's 'Force Field Analysis in relation to the Holy Koran and the management of staff in UAE. As has already been mentioned, the way to bring about movement or change is to minimise the restraining forces and maximise the impact of the driving forces as in Figure 3 below. For example, if changes involve the use of new technology some of the restraining forces are bound to centre on the issue of skill shortages. This will involve emotional responses as well as knowledge and the way to reduce the restraining forces is to provide reassurance, encouragement and re-skilling, particularly to the insecure foreign workers who do represent the bulk of the labour force. It must be remembered that this thesis deals with the labour force as a whole, but from a local point of view there are two distinct sections within the labour force: that of the local population and that of foreigners.

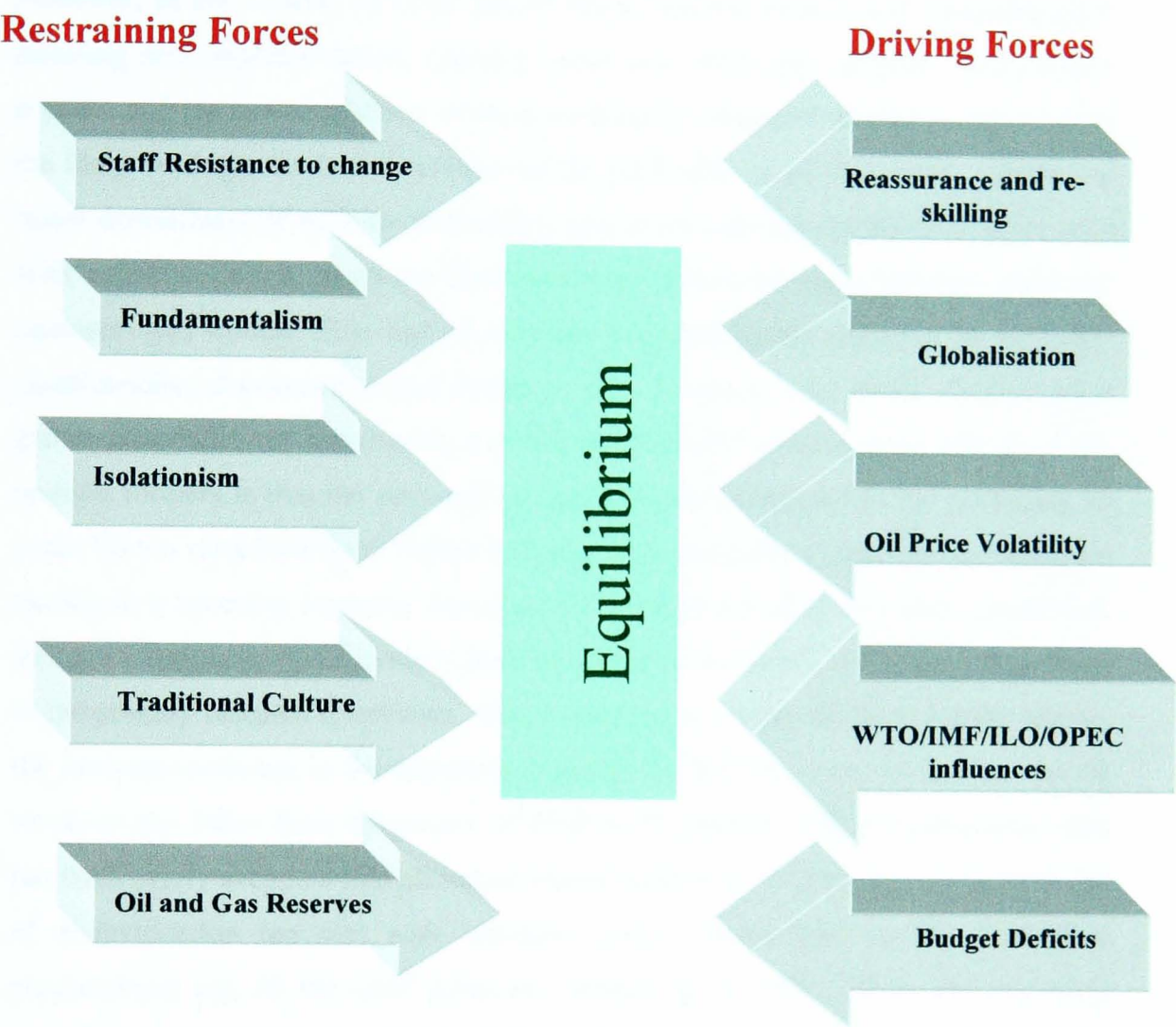
In relation to motivational drives, incentive schemes, job security, training and development, working conditions etc. the overwhelming proportion of the labour force that fall into the category of foreign labour, miss out on these crucial aspects of human resource management and, as we have seen in the context of change management, it is this category of expatriates that are largely responsible for implementing the changes which are taking place. *A priori reasoning* argues that the benefits referred to above, should at least be made available to this majority sector so that its members can take ownership of the changes taking place and ensure effective change implementation.

Two dynamic concepts have emerged in recent years from the field of organisational development that are particularly relevant to the process of change. These are the creation of the learning organisation and systems thinking. Both of these concepts are covered below, but it is necessary here to stress that each of the processes are in a symbiotic relationship and one must view them as an integrated 'whole': change is a learning process and learning is a change process and thinking in system terms means being aware of the web of interrelations that exists between the parts and also being aware of the parts themselves.



being aware of the web of interrelations that exists between the parts and also being aware of the parts themselves.

**Figure 2      Lewin’s Force Field Analysis**



This model of Lewin is extremely practical in terms of diagnosis and problem resolution.

If managers act in an autocratic, non-participative way, the ‘unfreezing’ process, ensuring that the workers see why change is necessary and that the changes will be non-threatening, the impact on those with a lack of training and lack of motivation and insecurity, those who have the responsibility to implement the change programme (usually foreign workers), will pre-determine this ‘change programme’ to failure. As the primary research into the Role and Function of Women together with the specially

application. This 'implementation gap' also refers to the gap between the 'good practice' in the treatment of foreign workers, as outlined in the Holy Koran (as we have seen), and the practice of everyday management and operations.

However, in the context of UAE labour force, without careful and comprehensive planning and implementation, training needs and skills gap analysis, motivational practice and the encouragement of team working by managers and the guidance from the Holy writings, the best intentions of the leadership is to little avail. Trust is a major determinant of intrinsic motivation, and in the working environment associated with expatriate labour in all the Gulf area, very little trust exists between employer (sponsor) and worker. This was all certainly indicated by the responses to the 1,000 questionnaires distributed as part of this primary research. As a result of information gathered from the key informants, it is safe to conclude that the general attitude of the opinion formers is that the economy of the UAE has developed in the preceding 30 years from a rural backwater reliant on small time agriculture, pearl diving and spice trading to a booming economy based on oil revenues resulting in a high standard of living for nationals. "We haven't done too badly in the past", was heard many times in the primary research interviews. But, in relation to the provision of foreign labour, the inherent weakness in the argument is that in the last ten years, reliance on the oil revenues has fallen from 83 percent of GNP to 23 percent. Oil is a commodity that has been avidly accepted into all industrialised nations in the past, but the programme of diversification has met with increased global competition for the diversified programmes; e.g. all the Gulf states are competing for FDI. Thus, the reasoning posited here goes that new and innovative industries have to develop in UAE and for this developed is it difficult to argue that UAE won't need the large pool of foreign labour to sustain its economic growth. But, in terms of government policy, argue it does! Three further variables should be taken into account when considering the role of foreign labour in the mid- to long term:

1. Bearing in mind that the oil revenues only represent 23 percent of the GDP, and that this makes a considerable impact in monetary terms as the price of oil is particularly high, currently at \$67 per barrel. But in 1989, the price fell to \$9 dollars and it has been fluctuating ever since. It is for this lack of financial stability that the government advocated and implemented a programme of privatisation and diversification. However it is significant that when they initiated this strategy, the price of oil was about \$20 per barrel and the oil



revenues contributed about 50 percent of GDP. It is feasible that the price of oil will drop dramatically when peace comes to Iraq and the nuclear argument is settled in Iran. When this deduction was put to the key informants, over 80 percent responded that the solution “was simple, we will just produce more oil”. In these circumstances, the research had to act neutral and withhold opinions to avoid influencing the responses of the interviewee, but the fact remains that the suggestion of producing more oil is impracticable as OPEC sets the oil production targets and what the informants failed to perceive is that UAE is pumping its permitted maximum at the moment. So, bringing the analysis back to the role of foreign labour, if the oil exports cannot realise enough foreign exchange, it is a sound argument to suggest that other industries will, and they will need this pool of foreign cheap labour.

2. The comments and perception of the key informants cultivate the view that the oil revenues will continue at their present pace and value. Supporting their argument is the fact that there are proven oil reserves in UAE to last for over 100 years. But counter to this argument are the ‘conservation’ advocates and the dangers of global warming as a result of the use of fossil fuels. Increasingly, the industrial nations are striving to discover new and innovative renewable energy sources and, as the saying goes, ‘Necessity is the mother of invention’, and it is highly probable that in the short term, more and more of these sources of energy will be utilized. Once again, it is reasonable to deduce from this scenario that there is a direct correlation between having more sources of renewable energy and a reduction in the price of oil and therefore oil revenues. This makes the expansion of UAE industrial and agricultural developments imperative, along with the pool of cheap foreign labour.
3. Presently, the high price of oil, as we have seen in (1) above, has enabled the UAE to maintain healthy balance of payment surpluses that provide considerable resilience against fiscal and financial turbulence the world over. However, evidence from primary research interviews is that the government is using the surpluses like a ‘cash cow’ in the Boston Matrix, to fund internal and infrastructure improvements and it is not accumulating enough assets to maintain its per capita wealth in the long term. (One must remember that Abu Dhabi is the only Emirate that makes substantial profits from oil, it subsidises the other 5 Emirates.) This expenditure is consumed by locals in some form or another, which is their ‘birthright’, but whilst it is being directed toward consumption, it is not being accumulated which would enable UAE to raise an investment income for the longer term security. As a result, it is not preserving its wealth from oil and if not halted, or a fiscal adjustment is made in the patterns of consumption, or more non-oil sources of income are developed, living standards will decline in the mid to long-term and global and regional competitiveness will deteriorate. Once again, the primary research interviews have left no doubt that the areas targeted for expansion are manufacturing, construction, agriculture, financial services, banking, leisure and recreation, the hospitality industry and aluminium production. It cannot be emphasised too emphatically that the key informants were in no doubt that locals would not locate en masse to these sectors. Therefore the need for cheap foreign labour will be crucial to sustain present standards and facilitate economic growth in the UAE.

In addition, in times of change (extremely rapid change is occurring in UAE as we shall see), the lack of trust emerges automatically as a serious barrier to progress and competitive 'added value'. In the UAE, the expatriates in the labour force want reassurance that the process of change commencing currently has a predictable, known route albeit that they will be treated fairly. They also want to know that those charged with the responsibility of managing change, are capable of delivering what they promise. Typically, an expatriate worker will be on a two-year fixed term contract, will perceive that all change programmes inculcate downsizing and cost-savings, and that the first to go will be the foreign worker. This results in the 'locals' (nationals) being very secure in their jobs and the foreign workers are demotivated and subjected to fear – extrinsic and negative motivation. (See Lewin's revised Change Theory (p.72 above). This is the scenario that has featured heavily throughout the research for this study. It is a view held by all expatriates, either consciously or sub-consciously, and the converse is also true. As one Section Head of the National Oil Company expressed his view; "It is our country, why should foreigners get the rewards. We give them work, we pay them wages, more than they would earn in their countries of origin, we provide them with accommodation, what else do they want?" This was a manager of people, but clearly, he didn't understand what motivates the people he manages. It was the manager charged with the responsibility of changing behaviour, but he clearly didn't understand what motivates and stimulates behavioural responses. How is someone who holds these attitudes able to encourage their performance improvement? How can someone who is responsible for human resource planning, not have implemented performance enhancing strategies like the skills Gap Analysis and an effective appraisal system? We will return to the topic of motivation, but suffice it to state here that satisfied and contented workers are assets (not costs) to the company. It is the role of management to convert this 'enthusiasm' into increased performance, contrary to the attitude expressed above. When over 90 percent of the labour force is denied these basic human resource principles, and economic growth is still above 10 percent, think how much more effective the foreign labour would become if these training and development activities were available to them.

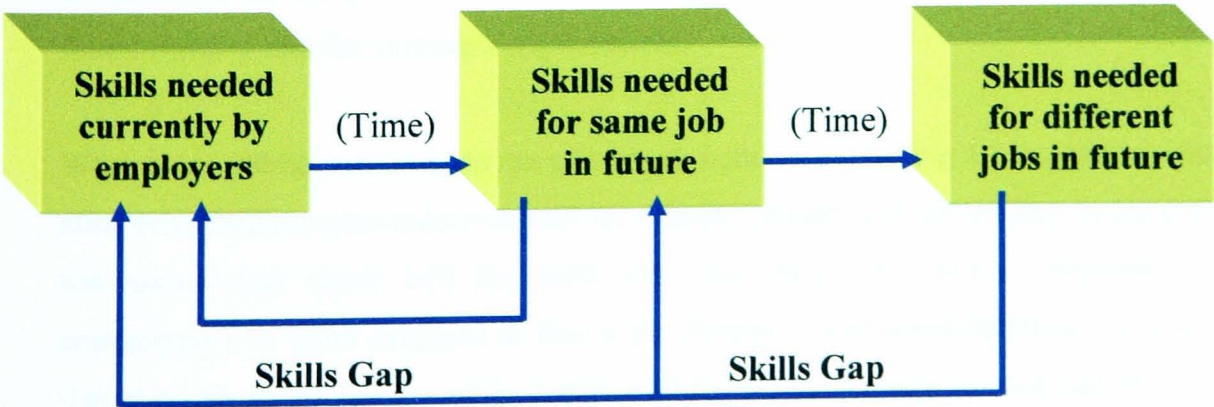
We now turn to the ‘gap’ between the skills that are needed in the private, non-oil sector businesses and the skills that exist among locals who are scheduled to replace expatriates within 5 years.

5. The Skills Gap

From the evidence of the interviews that were carried out for this study, the private sector businessmen generally believe that there is a skills gap between the skills and qualifications acquired by nationals from their colleges and universities and the skills and qualifications required by the labour market. As a Senior Planner at the Etisalat (Monopoly) Telephone Company (Government owned) bemoaned: “We have plenty of engineers and scientists, but it is the technicians we are short of and even if they are trained here in the Colleges of Higher Technology, they don’t want to take up the work of technicians once they leave college. They feel (and their families feel) that the work is beneath them. That’s why I still have to go to India to recruit technicians.” The officer who said this is a local who is being pressured by his employers (the Government) to employ only locals. The interesting corollary to the Indian recruitment campaign is that Etisalat is now entering a joint venture with the Sudan telecommunications company to train technicians in Sudan.

The skills gap is a diagrammatic representation of a ‘gap’ between the skills needed in a present job, the skills needed in the same job in the future and the skills needed for a different job in the future (say promotion, job rotation, etc.). It can be illustrated thus:

Figure 3      The Skill’s Gap



This model in Figure 4 adopts the view that the only constant in organisations is change and implicit in this adage is that the skills relevant today, may be obsolete by tomorrow (represented by the time arrows), particularly when confronted by global competition. The third box here can mean promotion (for locals) or job rotation. The key here is competitive advantage and this is not achieved by having an outdated, under skilled labour force. This is the whole basis of *Kaisen*, the Japanese concept of 'continuous improvement'. The key to implementing this analysis is the appraisal scheme and the skills involved in setting effective performance indicators. This model relates directly to the differentials between locals and foreign labour and these differentials, apart from retarding the processes of diversification, privatisation and economic growth, the discrimination is in direct conflict with the guidelines of the ILO (International Labour Organisation). The Principles of the ILO are unambiguous and includes the provision for 'equality of opportunity' (See Appendix 6 for the full set of ILO Principles) and it can be predicted that the ILO will be critical of this differentiation before too long and it also has the authority to levy sanction against states which do not comply with its provisions. None of the locals interviewed were aware of the possibility of sanctions being imposed by the ILO. The theory underpinning the 'Skills Gap' analysis should be used by managers for evaluating and appraising their staff, regardless of their countries of origin. All staff should have performance indicators and the gaps which are revealed by the Skills Gap Analysis, should be filled by training and development. This is manifestly in the interest of performance improvement of employees and ultimately to the benefit of the company. One senior manager when asked about his 'appraisal system' says the he manages to appraise about 50 staff in a month. Another said that his 'secretary takes care of that sort of thing'. Management theory suggests that it takes two whole days to carry out an effective appraisal and these responses in the primary research by senior managers is indicative of the lack of commitment they have to this all-important process of future training and development requirements.

When large public corporations are privatised, both before by way of preparation, and after privatisation, cost-reduction will be a major priority and experience in the Gulf has shown that about half the staff will lose their jobs (either voluntarily or compulsory). A good example of this is the Bahrain Telecommunications Company that shed about 30 percent of its 2,000 workforce immediately on 'privatisation' in

June 2003. 'Batelco', had a good record at that time for the percentage of nationals employed, about 93 percent. It was revealed that the majority of the redundancies were from amongst these locals. The remaining expatriate staff was essential core staff. the locals lacked the skills required for the future privatised operations and the willingness to re-locate to the private sector. The unemployed and job seekers will face a different skills requirement of the private sector companies of the future and, as one middle manager of a marketing company said in interview; "Why do I need to attend courses, I have been doing the job for twenty years". Hasn't UAE and the global market changed in the last 20 years?

In the 1980s, the UK Prime Minister of the day, Margaret Thatcher, needed to know why Britain was falling behind economically in world competition, particularly in relation to the performance of Japan, Germany and the USA. She commissioned three major separate reports led by reputable academics and a businessman and all three arrived at the same conclusion independently: that there was an inverse ratio between the specific management training in the UK as opposed to the three countries named above. The UK business only had 15 percent of managers who had had some specific training in management competencies; the other countries had on average 85 percent. Following the publication of these three reports in 1988, UK business schools mushroomed and the MBA became a recognised business and management qualification. The market for MBAs now, if anything, is over-saturated but, in the GCC region, this is because there is obviously a demand for MBAs from private sector companies. Few foreign workers will ever be afforded the opportunity to attend these expensive development courses.

The reports commissioned brought about a totally new attitude to training and development in the UK and the centrality of this strategy to regaining and maintaining global competitiveness. The impetus grew and the authorities in UAE grasped the notion of the importance of vocational training to commerce. One can almost say that the public sector was very generous in granting funds for overseas training and development: but only for their local staff. Nonetheless, the process of change had gripped the rulers of UAE and this was fed by the vocational development of its own citizens.



From a strategic and theoretical view, it is necessary to produce a model or framework for the basis of change. In the UAE it is essential that the decision makers and business leaders plan their change systematically. That is that they initially establish a three-stage process: ‘where they want to be’ – their vision; they then work out ‘where they are now’; and proceed with the ‘how’ of the strategy, ‘how they are going to achieve their vision’. One established ‘tool’ in the West for constructing such a business plan is the Ansoff matrix which deals with existing and new markets, and existing and new products. As a ‘tool’, Ansoff aids the process of determining the vision and how to achieve this in UAE as with the shift away from high dependence on oil revenues, products, services and markets will inevitably change. Ansoff is explained in Figure 5.

**Figure 4      Ansoff Product/Market Matrix**

<b>Existing Markets</b>	<b>Market Penetration</b> <i>(existing market, existing product - )</i>  Basically this is finding ways to increase market share	<b>Product development</b> <i>(existing market, new product)</i>  This is likely to involve relatively major modifications to the product or service
	<b>Market Development</b> <i>(new market, existing product)</i>  This depends on finding new uses for existing products or service, and therefore taking it into entirely new markets	<b>Diversification</b> <i>(new market, new product)</i>  This is the ‘quantum leap’. It usually involves substantial risk at considerable cost, but it is well illustrated in our case studies.
	<b>Existing Products</b>	<b>New Products</b>

In his original work, Igor Ansoff stressed:

“The diversification strategy stands apart from the other three. While the latter are usually followed with the same technical, financial, and merchandising resources which are used for the original product line, diversification usually requires new skills, new techniques, and new facilities. As a result it almost invariably leads to physical and organisational changes in

Quoted by Mercer, D. (1996), p. 172.

From the quotation above, we can now see the link between diversification strategy in UAE involving considerable change for all public and private sector organisations and a 'distinct' break with the past in UAE which will have gone from pearl diving and agriculture, to oil production and oil revenues and now to building a global tertiary economy to compete with the fully developed economies (and economic unions such as the European Union) of the West and Japan. It should also be remembered that diversification is a specific proposal of government. This transition needs careful planning. There was little evidence of long term planning in the interviews used as the primary research for this study.

## **6. Organisational Systems**

As this study focuses upon the cultural, social and economic direction of the UAE and its use of foreign labour, it is essential to gain an understanding of how the politicians and business decision makers and problem solvers come to terms strategically with the complexity of their external environment. Therefore, it does not discriminate organisations by their type and purpose (i.e. profit or non-profit, public or private, manufacturing or service, etc.) except to scrutinize their labour force and the declared policies in relation to recruiting and developing national and foreign labour. As far as the society is concerned, the 'whole is greater than the sum of its parts', but to gain insight into the direction of society, it is essential to understand the motivation, the cognitive and informational constraints, the incentives and rewards systems, cultural perceptions of the organisation's constituent parts – the labour force.

(March 1994; March and Simon 1993; and Simon, 1982, 1997a, 1997b.) The foreign labour force will have different perceptions of these attitudes and values from the nationals and therefore it is generally safe to assume that foreign workers will have different motives from the organisational goals. In this case, it is not the individual who is in conflict with the organisation, but the society as a whole. As reflected in many quotations above and many more to come, the foreign workers are 'tolerated' purely for utilitarian purposes that the economy couldn't function without them. This conflict is exacerbated by differential treatment between nationals and foreign workers. The research suggests

that such differentiation leads to a diminution of horizontal integration and an undermining of vertical integration, with a lack of information (corporate culture) being cascaded top down.

The individual workers normally have an impact on cultural change within the organisation and, in turn, the organisation's corporate culture will impact on the perceptions, attitudes, behaviour and cognitive skills of its workforce. Top down, changes in the corporate culture ('what the organisation is') are not too difficult to manipulate and workers work in accordance with their manager's requests – or, motivation aside, they will lose their jobs and their residence visas. On the other hand, the bottom up organisational culture (what an organisation has, or 'the way we do things around here') is far more problematic and if the majority of the labour force is marginalized in terms of lower salaries and benefits and poorer working conditions, then all forms of integration tends to break down. In short, the strategic business planning may be effective (doing the right things), but the implementation (in the light of this research) is open to much improvement (that is, doing things right) and it is not efficient.

Recognising that adaptation results from change and that each member of an organisation can be an agent of that change, Handy provides the tools and insight to adjust to the change process more comfortably and to perceive change as a growth and learning experience which is contrary to the evidence from businesses gathered as part of this study. Handy writes, "...it is often the little things in life, which change things most and last the longest. (Handy, 1989, p.13). Handy reasons that it is through the process of adaptation to change that individuals, organisations and society in general will benefit. This theory is based on three assumptions:

- that changes are discontinuous and not part of a pattern, and that the discontinuity is confusing and disturbing, particularly to those in power;
- that it is the little changes that can make the biggest differences in our lives, even if these go unnoticed at the time, and that it is the changes in the way our work is organised which will make the biggest differences to our lives; and
- that discontinuous change requires upside-down thinking. According to Handy (Handy, 1969, p.32), upside-down thinking refers to new ways of thinking about familiar things so that new energies are released and anything is possible.



Not only does this structure facilitate the employment of the buying in of services as necessary and in so doing experience cost-reduction (particularly in fixed costs), but it is Handy's premise that businesses are moving away from labour intensive manufacturing and moving toward knowledge-based and service organisations. Nonetheless, reducing the 'core' is tantamount to reducing the employment of, and opportunities for, the local labour and, by extension, it will increase the need for expatriate labour in the 'flexible' sector and ultimately in the contractual segment (as cleaners, security guards, cooks and waiters, etc.).

Although Charles Handy formulated this theory in 1989, when UAE was in a very primitive stage of international enterprise, this theory, as well as all the others outlined in this chapter, applies directly to developments in the UAE. The problem is whether or not the 'Captains of Industry' are aware of these changes occurring in international commerce and whether they are prepared to initiate and embrace the changes that are urgently needed. It is well known that 'top down' change must be seen to be supported by those at the 'top', in the UAE situation, there are locals at the top in the public sector who appreciate and understand the changes but, conversely, 93 percent of the labour force comprises expatriates. In relation to Handy's theory, empirical research suggests that the foreign workers are only interested in keeping their jobs and their residence visas and conversely, and for our purposes, for the sake of economic growth and stability, the UAE needs more, not less, foreign workers to fill the gaps in what Handy refers to as 'service sectors'. Arising from this analysis, another ramification of Handy's theory is that the core is reduced to lower costs and the expertise is 'bought' in as and when it is needed. The 'core' comprises mainly, if not exclusively, locals and this development will, certainly in the privatised sectors, force the downsizing and ultimately the redundancy of the locals. This is no longer theory but we have practical examples, and we have already seen this actually happened to the staff of Batelco (Bahrain Telecommunications Company) when the Bahrain government deregulated and privatised the company. In a primary research interview with a key informant of a public relations company, the interviewee said; "Downsizing was inevitable, but the company went through three phases; firstly it invited any local staff over 50 to apply for early retirement, then it invited all local staff to apply for voluntary redundancy, and finally the company looked at skill

requirements and skill levels. But I have to emphasise that although the aim was to downsize about 30 percent of local staff, at all stages there were generous provision made and very few of the selected staff were unhappy with the terms offered. Of course, this did not apply to the contracted (foreign) staff, their contracts were simply cancelled.” (Managing Director)

At this point, three points emerge which will be noted here, but will reoccur throughout this thesis. These points are fundamental to an understanding of cultural ‘relativism’ in the UAE and beyond. These can be examined in a logical sequence.

1. That the definitions of the concept of ‘culture’ assume a homogenous cultural entity. Behaviour is considered to be the results of shared norms and values, but the very opposite is the case with the organisational culture as diverse and heterogeneous as anywhere in the world. There are principally three main groupings which this study focuses upon: (i) Locals or nationals, employees who were born locally; (ii) Arabs/Muslims from other parts of the Middle East and (iii) foreign/expatriate labour, usually from the Indian sub-continent or southern Asia. These divisions will be shown to be most significant in the ensuing analysis.
2. Arising from 1 above, the culture in UAE and beyond is for a ‘strong’ management styles and any liberalisation and democratisation is seen as a weakness on the part of management. This has long tradition in Arab history and is always accepted. About 85 percent of the empirical research informants accepted the position of ‘strong management’. ‘Strong management’ can be related to ‘Tells’ on the Tannenbaum and Schmidt continuum <sup>(Tannenbaum & Schmidt, 1958)</sup>. Paradoxically, this management style goes contrary to the teachings of the Holy Koran <sup>(Al BAQARAH, 61)</sup> and contrary to the tenets of good practice that is routinely used in the West and particularly in Japan. The model is consistent with the teachings of the Holy Koran and basically follow the pattern below:

- Clear job expectations
- Feedback on performance
- Motivation
- Develop knowledge and Skills
- Provide organisational support
- Provide understanding of the importance of the Environment

It is suggested here that the starting point for this proposition is the ‘Skills Gap’ analysis which has been outlined at Page 78 (Figure 5) above.

3. This leads to the third variable in this brief examination of organisational culture, that of cultural control and the notion that a unitary culture permeates throughout the organisation. Let us return to Scholl <sup>(2003)</sup> and look to his 'outputs' of culture. These are the points brought out in his article and these also presents us with a paradox in the context of the Middle East:

- Innovation versus stability
- Strategic versus operational focus
- Outcome versus process
- Task versus social focus
- Team versus individual orientation
- Customer focus versus cost control
- Internal versus external orientation
- Basis for commitment of organisational members
- Power distance
- Conformity versus individuality
- Ad hockery versus planning
- Centralised versus decentralised decision making
- Cooperation versus competition.

The inconsistency arises when one considers that all of these variables are covered by the teachings of the Holy Koran, which is the basis of Muslim culture in management (See Hamdan, 2003). In practice, as this study suggests, there is a large 'gap' between the teachings of the Koran in respect of human resource management and the practice of this employment of staff. Indeed, in interviews with 'key informants', the interviewee has said that staff should be treated differentially (in accordance with the 3 categories listed above), and that 'foreign workers' should not be given staff development, permanent contracts or rewards in accordance with their abilities and aptitudes, but related to the pay in their countries of origins.

Related directly with the costs of employing foreign labour are the additional government costs recently imposed (early in 2005) on potential employers. The objectives of this imposition are clearly determined to inhibit the use of foreign labour and particularly in the unskilled category. The government has now divided, 'to ensure the mix of nationalities within the workforce, and also to provide jobs for UAE nationals' into three categories.

### **Category A**

Categories with less than 30 percent of the workforce are from one nationality and at least 2 percent consisting of UAE nationals.

### **Category B.**

Companies that have between 31 percent to 74 percent of their workforce are from one nationality, no UAE nationals. These companies must pay up to Dhs 3,000 bank guarantee for each worker for up to 500 workers and Dhs 1,000 for any extra workers. If a company remains in Category B for more than three years, the Ministry may cancel its licence.

### **Category C**

Companies which have 75 percent or more of its workforce from one nationality, no UAE nationals in its workforce, or employs workers with violations against them. These companies must pay a Dhs bank guarantee for each worker. If a company remains in Category C for more than three years, the ministry may cancel its licence.

Sample increase in costs for companies in Category B with, say, 500 workers. Previously, the total costs of employing foreign employees were Dhs.333,700. In 2005, this has now increased to Dhs.1,420,000. <sup>(Gulf News, 20 August 2005, pp.2/3)</sup> Of course, this is prohibitive, but that's exactly what the government intended. But in analysis it can be perceived that the companies which will pay the heaviest costs will be in the areas which have notoriously difficulties in persuading local into their industries: Manufacturing, Construction and Agriculture.

One empirical research interviewee commented " ... he couldn't afford to employ a national as they demand salaries which are too high and conditions of service that are too demanding. My company pays Dhs 4,000 for a highly qualified Indian engineer, whereas a local would demand at least Dhs 10,000. Hiring a national was not possible and be competitive". <sup>(A General Manager of an engineering company in interview)</sup> The curious element here is that the imposition of the new manpower costs relate to the employment of unskilled labour, but they still apply to the employment of foreign 'knowledge workers'. The mystery here (in relation to the working hypothesis) is that logic dictates that the problematic imposition of statutory fines and taxes will not resolve the shortage of local labour; it will not relieve the disproportionate numbers of foreign labour and permit companies to stay competitive.

Armstrong <sup>(2000)</sup> suggested that skill development programmes should not only support the achievement of business strategies, but development should have a positive role in contributing to the attainment of the business objectives. Most relevant is Armstrong's next point: "To do this it is essential to develop the skills base and intellectual capital the organisation requires as well as ensuring that the right quality of people are available to meet present and future needs."

This differentiation, between local and foreign labour, is a major factor to emerge from the interviews. When one remembers that the overwhelming majority of employees in the private sector (where performance improvement and cost reduction is imperative) the calibre of managerial informants should have been concerned to elevate the status of staff motivation, performance improvement, planning and managing change organisational development and integration and vision planning and cascading and the construction of corporate objectives and mid- to long-term business planning. (The 'Learning Organisation' is discussed in Chapter 9). The evidence suggests (out of 420 returned questionnaires, not one respondent knew their company's vision) from the primary research for this dissertation that the pace of economic progress can not only be sustained but accelerated if the above-mentioned management strategies would be applied to the 93 percent foreign labour force as well as the 7 percent locals. However, the government of UAE is still focusing on halving the number of foreign workers by 2010 and therefore there is no incentive to build teams, promote merit in foreign workers, provide adequate staff development, and afford equity in salaries, benefits and job security for foreign workers. Clearly there arises the tension between locals and foreigners, and the rewards offered by the foreigners in UAE in comparison to their countries of origin in South East Asia and between the public and private sector jobs.

The research hypothesis for this dissertation is concerned that the continued employment of foreign labour is essential to sustain economic growth in a future that is designed to be without substantive oil revenues. The analysis and conclusions above, compounded by the ensuing chapters, conclusions and recommendations, tend to prove the research hypothesis even though it conflicts with the official government

policy. The dissemination of this information among the opinion formers *a priori* will represent a valuable contribution to existing knowledge.

We conclude this theoretical analysis of the position of foreign labour in the UAE with an outline of the major problems which, in more practical terms, the rest of this thesis will address. Conclusions will be drawn and recommendation made at the end following further analysis.

## **7. Problem Definition**

As Heraclites remarked over two thousand years previously, “Nothing is permanent but change”, but he could have hardly visualised the *pace* of change which has gripped UAE society in the past 40 years. The problems we will be addressing in this thesis relate specifically to the rapidly changing nature of labour in the UAE society and the ‘ad hoc’ measures introduced to exploit the oil riches from the late sixties. The context of the thesis, the primary research and research hypothesis, are all related to the changing composition of labour within the UAE labour force and the parameters of the research has been confined within the extraordinary nature of these changes.

The roots of the problem of labour segmentation can be traced to the discovery and exploitation of oil in the early 1970s which coincided with the formation of the State of the United Arab Emirates. However, one cannot just identify a single problem, this is too simplistic. It is far better to perceive that there are a number of ‘problem areas’ that are in urgent need of investigation and these can be viewed as clusters of problems. However, for the purposes of administrative convenience and clarity, these will be expressed individually. But one must never lose sight of the inter-relatedness of the issues and if one views the UAE society holistically as a ‘system’, one must be aware of the fact that changes to one part (sub-system) of the system will impact on all other parts. Thus we see that the traditional occupations of agriculture, pearl diving and fishing were coming to an end (in the case of pearl diving the changes were brought about by the advent of the cultured pearl in Japan), and simultaneously

the structural changes brought about by the discovery of fossil fuels. This was labour intensive and called for a massive influx of foreign largely unskilled labour which, in turn, brought about changes to the economy from primary, to secondary and then tertiary production – all requiring different levels of skills and an indeterminate amount of labour. As the training Manager of newly privatised ADWEA pointed out in interview, “each of the changes was historic, but collectively, they were both incremental and transformational”.

**In brief, these problems are focused thus:**

- There is a government target to localise (nationalise) the labour force by 2010 to realise a 50 percent ratio of nationals and expatriates. Officially, it is argued, that this will increase productivity, contribute more effectively to GDP, provide a more loyal and dedicated ‘national’ workforce and distribute the wealth of the nation to where it legitimately belongs, to nationals. Presently there is a approximately 91 percent expatriate labour with the private sector labour force and it is the contention within this thesis that the official ‘targets’ for nationalisation are unrealistic and going to be extremely difficult (if not impossible) to achieve. (This was discussed with the Director of the Employment and Skills Development Centre – part of the Government’s ‘The National Human Resource Development Authority’, which is charged with the responsibility of providing employment opportunities, training and counselling to locals and to reduce the reliance on expatriate labour. Mr Ayesh Al Barguthi admitted that it was an optimistic target but he insisted that much of this target could be achieved. The interviewer here expressed a conflicting view By its very nature, this was more of a dialogue and it was the only interview where the author expressed an opinion). That it was totally impossible to reduce 93 percent of the labour force to 50 percent within 12 months without a deep recession (which nobody wanted) and that, on the contrary, the UAE would need to import more expatriate labour, not less, if it is to maintain its ambitious growth programme. The author then pointed out that many of the jobs where expatriate workers were located (construction and services, for example), locals avoided and Mr Barguthi then went on to say; “We are into a period of culture change where locals need to understand that if they want to work, they will have to take jobs which are not necessary their first choice.” Nonetheless, culture change is a slow process and cannot be achieved in the short term and this presents a major problem area.
- Far from declining, the expatriate population is actually increasing faster than the national sector. In Dubai, for example, in the year 2001/2002, there was an increase in the issue of labour visas amounting to some 60 percent. The major problem here centres on the difficulty of persuading nationals to take-up employment in the private sector generally and particularly the service, construction, agriculture and manufacturing segments. These segments are the drivers for economic growth and collectively the main contributors to the growing

prosperity of the nation. The reliance on oil revenues (public sector) is rapidly diminishing and, inevitably, so will the workforce within the public centre.

- Here we have a paradox. The government is progressing its programme of privatisation. Essentially, this involves a downsizing in the labour requirement for the public sector and the concomitant increase in labour needs for the private sector but, simultaneously, the national population leaving secondary school and colleges is rapidly increasing. Compound this by the preferences of nationals to seek work in the public sector and it is clear that currently the public sector is 'over manned'. This is a problem that, it is argued here, will exacerbate the unemployment of nationals in the next decade and the manifestation of this trend will be examined both by secondary sources and private interviews with decision-makers.
- The above paragraph is indicative of the root cause of the labour difficulties: that is, the 'nationals' seek secure, highly paid, good working terms, benefits and conditions, jobs in the government or public sector 'befitting their status as nationals'. (This was mentioned in interviews many times, particularly by staff of the National Oil Company.) Here, terms and conditions are related to the cost (standard) of living within UAE. In the private sector, the salaries, benefits and terms and conditions are related to those prevailing in the countries of origin – Indian Sub-Continent and South East Asia particularly, where wages are low, conditions poor and job security non-existent. In the UAE (and elsewhere in the Gulf), expatriates work on short, fixed-term contracts based on the employer's sponsorship and the acquisition of a resident's and labour visas. This 'differentiation' in terms and conditions of service is contrary to the directives of the International Labour Organisation <sup>(See Appdx. 6)</sup>. Further, the public sector employers pay locals family allowances. But they do not do the same for expatriates. Ultimately, this will present an issue for the shareholders in the public sector companies, and the differentiation between payment to locals and not expatriates may be taken up by the International labour Office, but currently it seems routine and the problem appears to be in the future when the public sector comes to privatise or the ILO complains.
- There is a government policy for diversifying the economy away from its hitherto heavy reliance on oil revenues. (Diversification here can be defined as 'new products, new markets.') This policy is based on the volatility and unpredictability of the oil markets and the price fluctuations. A more stable economic base is urgently needed and Dubai provides a good example of this policy in action with oil revenues only contributing 7 percent of GDP in 2002. The problem here is that this programme involves a process of de-centralisation and privatisation. Foreign Direct Investment (FDI) is the process of encouraging foreign businesses to invest resources within the UAE and in the competitive global environment, this will only happen if the businesses can maximise their return on capital invested and reduce costs, including labour. All other things being equal, if the cost of labour for expatriates is much less than the cost of the local labour, it follows *a priori* foreign investors will insist on using the cheaper option.



- The private sector comprises the service, utilities (such as water and electricity), manufacturing and construction industries. Typically, because of the shortage of nationals who are prepared to work in this sector, employers not only choose the expatriate option because of cost but availability needs to be added. The indigenous Arab population, unlike their fathers before them, are loath to work in occupations that will diminish their social standing in their communities. System changes can be made to happen very speedily, but such a cultural and attitudinal change will take a few generations. The research for this thesis has confirmed that with the summer temperatures exceeding 50° Celsius, it is rare to find a national prepared to work in a manual capacity in these conditions.
- Accommodation and food allowances are usually paid to the foreign workers, and this basically provides for most of their needs. The balance of their income is mostly sent 'home' to their families, which is a considerable drain on the UAE economy.
- The UAE is a signed-up member of the WTO, OPEC, World Bank (the last meeting of the Board was held in Dubai in September 2003), and the ILO – an agency of the UNO. All these organisations are able to, and do, impose conditions on the government of the UAE and one of the contentious issues is for the future is going to be the differentiation between local and foreign labour conditions and benefits. The ILO has already 'warned' Bahrain against the practice of differentiating between the two groups.
- Reform of the labour laws is an absolute necessity as they are currently too restrictive. Being able to hire on a basis of meritocracy as well as the ability to terminate under-performers is essential for the successful competition of the private sector on the global market. Linked to this, allowing women to work and (initially) securing for them positive discrimination, is of the utmost importance. As one women interviewee complained, "How can we compete commercially, if over half the potential labour force is left out". This particular interviewee was a qualified engineer Team Leader but couldn't accept further promotion as it would mean shift working.
- There needs to be a closer relationship between business and education and training. The Arab corporation must provide on-the-job training, work experience and involvement by managers in the development of the curricula in colleges and universities. Possibly, consideration should be given to the adoption of the NVQ system that is so widespread in the UK. All this should satisfy the needs of the job market in every area and sector of employment. Some large corporations have excellent vocational training schemes running, e.g. Etisalat and Adnoc in Abu Dhabi, but it are the jobs involving 'knowledge workers' (technicians for example) for which there is a desperate shortage. As part of the primary research information gathering there was an interview with the Director of Employment and Development Skills Centre at the organisation called TANMIA which has been given the responsibility of finding jobs and the training and development of locals. But for now, it is worth simply commenting on a recent report of TANMIA. It relates to TANMIA signing contracts with institutions to provide

vocational training for locals. The strange thing is that TANMIA has signed contracts with organisations which have nothing to do with training and education though the Federal Law No. 27 of 1999 that stipulates that training of job-seekers should be conducted by training and educational institutions. *(Khaleej Times, 27 July, 2005, p.6.)* An interesting fact that should be carefully monitored.

- The legal system seems to be most incomplete when dealing with industrial and commercial law. More clear and consistent regulations need to be formulated and more judges and lawyers well versed in employment and commercial law, need to be trained and appointed. Furthermore, little progress will be made in FDI unless and until the law enabling non-citizens to own properties and businesses, to hold bank accounts on their own behalf, to own freehold property and to enjoy greater liberalisation, transparency and accountability.

These are the principal problem areas confronted by the research contained within this thesis. Extensive primary and secondary research was carried out and subjected to critical analyses. Conclusions have been drawn based on the research and analyses and recommendations made, based on the 'purpose' for the study outlined in the introduction. More succinctly, this thesis, in pursuance of the working hypothesis (pp.29 & 38), has focused on addressing the major problem areas arising out of the employment of foreign labour. They can be summarised as follows:

**The boundaries of the labour problems in UAE are:**

- The preponderance of foreign labour amounting to over 90 percent of the labour force
- The government has introduced a target to reduce the foreign labour contingent by 50 percent by 2010 *(Ministry of Planning, Director of Statistical Office)*. This, it is contended here, is an impossible target to achieve without undermining economic growth.
- The price of oil is currently buoyant, but if the price drops, it is likely that locals will be made redundant for the public sectors.
- The segmentation of local and foreign labour into the public and private sectors
- The reluctance of locals to take jobs in the private sector
- The diminution of public sector jobs leading to unemployment among locals
- The lack of motivation and a lack of understanding of organisational objectives by foreign workers
- Consideration that women are also locals and they also appear to be discriminated against
- A perception of a weakening of the Islamic culture in UAE as most of the foreign workers/population are non-Muslims

Further to all the problems outlined above, are the following points:

- “...it is perhaps the world’s fastest-growing global city and intercontinental hub. Hirst<sup>(2001, p.2)</sup> referring here to Dubai, but it can easily be applied to UAE in general.
- It has an immigrant population which, proportionate to the natives, is the highest in the world. In UAE as a whole, with a total population of 2.5 million, nationals are outnumbered by at least seven to one by mainly non-Arab aliens: 1.2m Indians, 600,000 Pakistanis, 100,000 Iranians and contributions from dozens of other countries, including 500,000 Britons.
- The UAE in total had a labour force of 2.7 million at the end of 2004. The private sector was the largest employer hiring 52 percent of the total workforce. About 98 percent of employees in the private sector were foreigners. The wholesale and retail trade was the largest sector in terms of employment accounting for 20 percent of the total workforce; this was followed by the construction industry that employed 17 percent of the total number of foreigners, manufacturing followed up by employing 14 percent. Therefore, the three sectors employed 51 percent of the total workforce.

It is recognition of these problem boundaries that determined the most appropriate research methodology enabling the empirical analysis of the problems of the UAE labour force. This ‘empirical analysis is described in the following chapter on methodology.

## **CHAPTER 2**

### **RESEARCH METHODOLOGY**

“Without human capital you cannot add value to the economy.  
Economic growth is not sustainable. This provides a great challenge for us.”

**Dr Saeed Al-Shaikh**

(Financial Adviser to the GCC and Chief Economist to NCB in response to a ‘Key  
Informant interview, held at Saudi Aramco

The methodology used for the primary research and information gathering has to relate directly to the research hypothesis <sup>(pp.28 & 38 above)</sup> and to the scope of the research as listed in the boundaries of the problems associated with the research hypothesis as listed in the Theory Chapter above <sup>(p.93)</sup> and the research aim and objectives <sup>(p.15)</sup> and research questions <sup>(p.15)</sup>. The actual process of researching the data was fourfold. Underpinning the analysis and description has involved a minimal amount of relative theory, particularly in relation to economic, social and cultural change. The basis of this theory has been described in Chapter 1. Built upon the theory is the analysis and narrative and this is embellished by reference to 10 in-depth case studies of key companies and personal interviews with senior staff (at GM/CEO/MD level) representing these (largely private sector) companies. There were also >120 formal, semi-structured interviews with 'key informants' who were able to advise generally of the history, culture, vision and direction of the UAE (e.g. President Zayed's Personal Advisor and the Director of the Central Statistical Office of the Ministry of Planning). Fifthly, a notional and unique '*Organisational Change Profile*' has been constructed to evaluate each of the targeted (case study) companies against two (westernised) dominant theories <sup>(Chapter 9, Organisational Change Profile)</sup>. The semi-structured interviews contained questions and answers relating to diversifying the company's profitability and growth on the global markets as related to the growth of labour force issues in view of government targets to raise the numbers of nationals involved in the private sector and correspondingly lower the foreign labour by 50 percent by 2010. The problem areas <sup>(p.93)</sup> were explored in depth and these related principally to the government's stated view to halve the foreign labour force within four years. The interviews were designed to be based on theoretical constructs and strategic planning and projection. Human resource management issues were investigated and the study is most critical of the lack of development and motivation given to foreign workers (in the interests of performance improvement and managing change). The role of the government agency responsible for these issues (TANMIA) was critically appraised. It is suggested here that whereas TANMIA saw the problem as one of logistics, simply shifting a set of workers from one sector to another, it is argued that this is a rather inconsequential view and the root of the problem lies with attitudinal and cultural change. There is also need for a salary and benefit adjustment so that all sectors of the labour force receive equal payment for equal work. There were two interviews within this agency involving high levels TANMIA officials: One was the Director of Employment and Skills Development and the other was a Board member of TANMIA who happened to be the Director of Human Resources of one of the world's largest private sector oil companies. The former defended TANMIA's policies and the latter had no answer to the criticisms of TANMIA'S proposals and the lack of motivation, team building, staff development, organisational integration, etc. The policies of the official government organisation goes against the good practice of treating foreign workers as resources and not costs, of the Peter Drucker

style<sup>(Drucker, 1998)</sup>, or even the management style as recommended by the Holy Koran. This informant has subsequently resigned from the Board and disassociated the Board's views from his own..

The Abu Dhabi Human Resources Group (BASHRIA) was also scrutinised and the author attended a number of its meetings and interviewed its Chairman. The research focused on the major issue of differentiation between national and foreign labour and the author argued at the meetings that not only is the employment of foreign labour absolutely essential for sustaining and increasing economic growth, but that actually, contrary to the government view (and the view of all the locals interviewed (>120 in total), is a positive feature. For employers in the private sector, clearly, foreign labour is tantamount to cheap labour and cost-reduction. It should be noted at this early stage that although this differentiation is taken for granted by locals (as indicated by most of them in the key informant research interviews), the practice is actually illegal under terms of the ILO (International Labour Organisation), the 'Principles' of this organisation can be found at Appendix 6.

Throughout, the interviews have been designed to adopt a pragmatic style; viz, 'what do you do, how do you do it and why is it done this way'? But theoretically, the information gathered is scrutinised and subjected to what is generally 'good' management practice in accordance with the local cultural constraints. The difference between the 'what is done' and the 'why is it is done this way' (in terms of effectiveness and efficiency) is manifest, (for example, the issues of staff development and career planning for foreign workers, the extent of 'participative management' in, say, decision making, etc. The overwhelming majority of the general interviewees (>120), which amounted to 73 percent, claimed "...that is the way we do things around here. This is our (autocratic) culture". The irony that this primary research has disclosed is that 'good practice' is synonymous with following the guidelines as we shall see) laid down in the Holy Koran (AL BAQARAH, 61) and therefore it seems improbable that any Muslim can complain that "...it is not part of our culture". But still 83 percent claimed that 'autocratic, non-participative, leadership' is 'good practice'.

## **1. Introduction**

The main thrust of this thesis, as the title implies, is to relate the functioning of a western-style economy, businesses and commerce to a traditional social and cultural framework with particular emphasis on the participation in the labour force of a preponderance of foreign workers. In so doing, one cannot ignore a number of fundamentals of government policy such as diversification, privatisation, emiratisation, globalisation etc.

Given these variables, how will the UAE change over the next two decades? This study aims to give a critical, informed and objective assessment of expected developments and changes which are likely to occur between now and 2020 in all the areas listed above and the interactions between them, together with the global developments that will have a particular impact on the composition of the labour force in the UAE. It is argued throughout that the planners and decision-makers in this 'tribalised' society, which, in many cases, without indulging in broad generalisations, is very secure in the status quo, and are underestimating the changes that this study predicts are likely to occur. As these shape the future of UAE, it is these senior 'emirates' that are the major focal point of the qualitative research.

## **2. Context and Methodology**

The initial phase in the 'modern' era in what is now referred to as the UAE, one can call the 'pre-industrialisation' phase, which was concerned with agriculture, fishing, pearl diving, the spice trade and, to a smaller extent, international trading. This stage was brought to an end by two basic events: the discovery of the cultured pearl in Japan and the discovery of oil in the Middle East, beginning with Iran (1927 in the Baba Gurgur Field) and Iraq, but spreading to the Trucial States (starting with Bahrain) which were then under British administration. The second stage can be seen as the unprecedented economic transformation that has taken place in the UAE since the formation of the State (1971) that has largely been funded by the judicious use of oil revenues and, more latterly, gas revenues. The third stage (tertiary stage) that coincided with the dawn of the 21st century finds the UAE poised on the threshold of new changes, challenges and opportunities that are currently in their embryonic stage. But the success of these endeavours will depend on the ability of the UAE to obtain a reservoir of cheap foreign labour and adapt to market forces within and beyond its traditional trading partners and to adapt to a new portfolio of goods and services. New

customers, new products equal economic diversification which is just one of the changes taking place today in the UAE economy (See Ansoff Matrix in Chapter 1). Diversification is the most risky of the global marketing strategies). Also Boston Matrix theory is referred to in practical terms, with oil acting as the 'cash cow' funding the development in other areas and facilitating privatisation.

In addition there is the need to shift away from the heavy reliance on oil and gas revenues that, in turn, involves privatisation of government assets and the attraction of FDI. Foreign investors are attracted by the profit motive which dictates that public sector monopolies are privatised and the financial arrangements for banking and investments are liberalised so, at least, not to penalise the foreign investor. The foreign investor also looks for the availability of cheap labour with the 'right' skills, but with privatisation and the diminution of the public sector, together with a reduction of oil revenues, the public sector will have to 'shed' many of its local staff (and an example is given of Batelco in Bahrain doing just that.) However, the primary research has vividly indicated that locals will not take up jobs in the private sectors, regardless of designation, they would sooner be unemployed. And here the motivational theory of Maslow and Herzberg is most relevant to the employment of both local and foreign labour.

The principal aim of the thesis is also an integral part of the contemporary economic scene described above. Integral it is, but this study prefers to separate it out as being more pragmatic than economic. It is the role of labour with particular reference to the disproportionate amount of foreign workers in the UAE. The rulers of UAE are committed to reducing the expatriate representation in the labour force by 50 percent in four years, but this thesis argues that if the above criteria are met, it is probable that more cheap labour will be required, rather than less, and it suggests that the official objective is unrealistic and myopic. It further suggests, contrary to the accepted policy of most of the informants (>80 percent), that the ILO will insist that expatriate workers cannot be treated any differently from the 'national' working in terms of their benefits and conditions of employment. (See Appendix 6) One benefit, when discussed with a group of 21 employees of the National Oil Company, invoked profound reaction. A question was put to them, "How do you think foreign shareholders feel about the company paying substantial child allowances to national



employees”? The subjects responded, “Why shouldn’t they, it is our money”. (17 out of the 21 responded collectively, emotionally and heatedly, but they failed to understand that even the National Oil Company has shareholders beyond the borders of UAE (e.g. TotalFinaElf (in France and BP in the UK). The government’s policy of paying child allowances to public sector employees was put to them in the context of attracting FDI and this met with further negative comments such as “It is the policy of allowing foreign investors to cream off our profits that is wrong, not the child allowances”. (This group was not part of the >120 interviews.) The middle managers of the National Oil Company had manifestly failed to understand the consequences of the government’s programme of privatisation, diversification, liberalisation and global competition. It is these reactions that are in need of testing as part of this research and this is to identify the difference between locals and foreign workers from a cultural and attitudinal perspective. 1000 questionnaires were distributed to a group of largely foreign employees and over 120 locals were interviewed. (See Appendix 5)

The UAE is expected to increase its industrial and commercial diversification drive well into the long term. Emphasis will be given to the development of the manufacturing, construction, financial services, leisure and hospitality industries, sports management and agriculture. Globalisation will also encourage larger banking units through amalgamations and mergers while the move towards Emiratisation will also gather momentum. Having invested heavily in the infrastructure of the state since its inception, there are added incentives for the private sector to participate in transport, communications and e-commerce, shares and equities, telecommunications energy and ports. A railway network for UAE is currently in the planning stage. The author has suggested that the Bay Area Rapid Transport (BART) in San Francisco and the Docklands Light Railway (in London) could provide some blueprints. But the jobs generated in these sectors, the research suggests, are not the type of jobs that will attract locals. They vigorously resist working in the private sector. Using Maslow’s ‘Hierarchy of Needs’, jobs in these sectors will be detrimental to the ‘self esteem’ of the locals and their families. The primary research shows conclusively that this was the perception of the locals; their perception was not related to reality or practicality. With a reduction in labour opportunities in the public sector due to privatisation, etc. it is not realistic to perceive that the locals will have greater self

image if they are unemployed than if they are working in, say, financial services (private sector).

In turn, the next decade will realise a relaxation in financial controls for foreigners and the progress of government policy toward the issues that impact on the problem areas as they are outlined on p.93. These are the issues that are addressed in this study and this chapter on research methodology deals with the most appropriate methods for eliciting information which supports or rejects the working hypothesis and contributes to the achievement of the study's objectives. Having identified the principal method to be employed, the chosen method, the chapter will proceed to examine its strengths and weaknesses and provide a detailed account of how the method was applied. It must be emphasised that the opinions of the researcher or the conclusions drawn from the research through over 100 interviews, did not impact in any significant way to the responses received from the interviewees.

The changes that are taking place are profound and when one considers the low 'base' from which UAE started from, the changes are visionary and innovatory. It is the responsibility of the 'leaders' to design, plan and manage the changes mentioned and the direction that they are steering UAE in the mid- to long term. It is for this reason that the qualitative research was used for this study, focusing on the very people who were, and still are, 'the change masters'. In reality, the view was adopted from the outset, which at the micro and cyclical level, change is a highly intricate and complex process. But when considering the extent and pace of the structural and transformational changes of the macro processes outlined above, which involves cultural, behavioural, attitudinal and emotional changes, one needs to look beyond the changes themselves and gain an insight into those who are driving these changes; the depth of their knowledge and understanding, the extent of their benchmarking and competitor analysis, their motivation and their willingness to face risk and uncertainties. These are the employers of both the local and foreign labour and this research focuses on getting their opinions, their attitudes and their hopes, fears and visions. Qualitative research methods, informed by the need to gather the hearts and minds of the opinion formers, were considered to be the most effective way of eliciting and gathering the information required in relation to the working hypothesis on page 29 above. In this process, the information gathered from the opinion formers

in the primary research interviews will be used to inform an analysis that addresses the labour problems and discussed above (p.93). In addition to the interviews and case studies, the information gathered will be enhanced by the appropriate official statistical data supplied by the Central Bureau of Statistics and in an interview with its Director at the Ministry of Planning.

Finally, the value of the study is the attempt to predict the direction that the UAE society is heading in relation to its labour force and this begs the question, 'why attempt to study the future?' Surely, as the future is unknown and any conclusions that are drawn based on evidence of the present, must be entirely speculative. Frequently, even short-term forecasts usually turn out to be wrong, so why waste time with longer-term predictions? This question embraces a number of key issues and not least is the impact of Islamic teaching on a traditional Islamic society as exists among the Rulers and the indigenous population of the UAE. One has to be absolutely clear about this point and it must be stressed that it is in no way made to detract from Islamic beliefs or offer alternative views, but it stresses the point that one must work within these beliefs which permeate all social aspects and not separate from them. So, a causal explanation for a lack of assessment of the future by many opinion-formers and decision-makers may be attributed to the fatalistic and deterministic approach that characterises the Muslim faith. Allah (be praised) has determined the future and we are here to serve Allah. However, having recognised this 'mindset', this study aspires to prise open the secrets of the future and predict with a fair degree of confidence and a large degree of precision and accuracy, what is going to happen to the UAE labour force for many years to come. This is where the study makes its contribution to existing knowledge.

### **3. Literature Search**

As a prerequisite to the qualitative research and to making an original contribution to existing knowledge, it was essential to become familiar with and review what knowledge already existed in published and unpublished form. Basically, the literature scanning was an on-going theme and it took the form of three areas of information:

### **1. Primary sources**

- Journal articles
- Conference proceedings
- Reports
- Government publications
- Catalogues, directories, specifications (e.g. building developments)
- Interviews with key informants
- Case studies

### **2. Secondary sources**

- Monographs
- Textbooks
- Review papers in primary journals
- Scholarly journals
- Subject abstracts
- Indices of publications
- Publications particularly from the Ministry of Planning and the Director of the Statistical Office.

### **3. Tertiary sources**

- Handbooks
- Guides to specific literatures
- Subject bibliographies
- General bibliographies
- Internet documents
- Local newspapers and journals

The first stop in any literature search for this topic must be the library of the University of the United Arab Emirates to see what scholarly research has been undertaken previously. Unfortunately, however, the University does not have a doctoral research programme, which is an inherent weakness in its external perception as a place of scholarship and academic excellence. Doubtless the faculty

members carry out scholarly research programmes that ultimately feed back to inform their academic teaching. But students need to graduate and go out from their undergraduate programmes with the skills required for high-powered business or academic research or, alternatively, to continue their studies by research programmes contributing to the existing state of knowledge in this young country. According to the official data for 1998, out of 746 faculty staff in UAE University, only one has a responsibility for postgraduate study and three have an input into Research Centres (Annual Statistical Abstract, Issues Nos. 23/24, Ministry of Planning, 1998-1999, Table 13/21, p. 379). A visit to the University realised the author's worst fears. The University does not offer doctoral research, therefore there are no doctoral theses in the library.

Therefore, one has to look elsewhere and an obviously second choice will be The Emirates Centre for Strategic Studies and Research (ECSSR). This organisation has a number of on going research programmes that are in their early stages of development. The programmes most relevant are:

- UAE Diversification Project
- The Influence of the Communication and Information Revolution Upon State and Society in the Gulf
- Labour Market and Population Studies

These studies, valuable in their own right are largely based on quantitative methodology and the present study, as we shall see, focuses on qualitative methods. They are also very specific and this study looks at the symbiotic relationship between all these specific programmes. It should also be remembered that most of the data derives from the 1995 census and this is very outdated and of little significance in view of the pace of change in the region. From a quantitative point of view, this study has been greatly aided by the up-to-date data (unpublished) but supplied by the Director of the Statistical Department (a key informant).

There are obviously a number of other articles and scholarly papers on the various topics, but these are very specific and frequently descriptive and/or historic or too

general and superficial to qualify as academic research. This study, on the other hand, adopts a holistic view and by using the qualitative method approach, links the variables mentioned in the introduction above to form a comprehensive whole. There are a number of research projects, particularly by an academic Dr Kamel Mellahi, of Loughborough University that provides much informative comparative study; his specialism being the social and economic activity in Saudi Arabia. Dr Mellahi's knowledge of the social, cultural and economic situation in Saudi Arabia complemented the research being carried out for this study and some ideas and data were subsequently exchanged. But his study did not apply to UAE generally or the composition of the labour force specifically.

The *Business Monitor International* in London, and the staff therein, supplied up-to-date statistical data, and an analysis of risk. This data has been extremely valuable in extrapolating present trends into future developments with a great deal of accuracy. Information from this secondary source has been used quite liberally. Additionally, appreciation must be expressed to the Director of the Office of Statistics at the Ministry of Planning who in a private interview provided a substantial amount of unpublished official data. In the interview he stressed that the next census in 2005 will not be published until 2006. .

Therefore, much official data is out-of-date and, when considering the pace of change in UAE over the past few years, is now obsolete. Searches on the Internet and at other universities proved quite fruitless in relation to the composition of the workforce and the segregation which is being applied. Most of the studies, articles and materials on relevant topics were either extremely dated or superficial and therefore unsuitable for purpose. The topic of foreign labour and its placement in the UAE labour force seems to be uncharted territory. The Holy Koran also provided considerable insight into the culture of the region and its relationship to human resource management and this Holy Book renders behavioural patterns more meaningful. For example, the Holy Koran, as well as being a guide for the mores of everyday living, also can be seen as a management textbook and contains (and pre-empts) modern management theories such as Management By Objectives, Managing Conflict, the concept of *Kaisen*, Effective Leadership, intrinsic and extrinsic motivation – the theory that compulsion is incompatible with Islamic Principles, <sup>(AL BAQARAH, p.61)</sup>, Participative Authority, <sup>(AL</sup>

‘IMRAN, P.97) this involves the ‘sharing’ of decision making and problem solving which will lead to improved performance.<sup>(AL A’RAF, P.3)</sup> The Koran encourages the development of trust and dignity for all employees and forbids injustice. <sup>(AL A’RAF, P..33)</sup> It further warns, in relation to the concept of planning and managing change that

“Resistance can be expected when those to be influenced are caught in a jam between strong forces, some pushing them to accept the change and other forces deterring them from accepting it ... Resistance could be due to lack of people’s involvement in its initiation and lack of participation which could be in the form of upwards and face to face communication.”

Source: Hamdan, 2003, p. 91)

This is a reiteration of Lewin’s Force Field analysis that we have seen in Chapter 1 and is indistinguishable from Lewin’s ‘driving’ and ‘constraining’ forces. In these circumstances, part of the primary research interviews were designed to test the accepted management culture of ‘strong government’, ‘consultation is not part of our culture’, ‘decision making is the task of management’, ‘why motivate, foreign workers get paid and they get accommodation’, etc. These were all verbatim comments from senior managers in interview and they all represent a stark contrast to the teaching of the Holy Koran.

The Koran also features management topics such as Creativity in Management, Communication in Management, Time Management and Control. As has already been stated in the previous Theory chapter, the culture of the UAE society is firmly based on the Holy Koran, and this is most compatible with modern ‘good management practice’. The case studies and interviews were designed to address the issue of how far these principles, this culture, was carried forward to implementation within the organisations studied and the managers interviewed. The research evidence suggests that the employers of foreign labour do not see the benefits of the sound management theories expounded in the Holy Koran. The study can serve to improve the basis for the long-term human resource decisions to be made, in the interests of performance improvement and enhanced competitiveness.

#### **4. Research Methodology**

The study adopts the qualitative research methodology and by the judicious use of case studies and structured interviews, underpinned by theoretical constructs and comparative models, we can be fairly confident that if we are content to work in terms of degrees of probability rather than in absolute certainties, in the key areas rather than in fine detail, the result will be of considerable interest and usefulness to the UAE's Rulers and decision-makers. So, a research aim has been to gather and analyse the most reliable and up-to-date data available in an eclectic and cross-disciplinary approach in order to arrive at a considered and consistent view of the prospects ahead and to bring out the elements which impacts on them. The data gathered has been informed by the research hypothesis (p. 29) that relates to labour issues and the position of local and foreign labour in the mid- to long-term.

The methodology in this study is qualitative and not quantitative. Quantitative research is largely concerned with counting, coding and describing events as they appear through sets of questionnaires and statistical returns. The results of this type of analysis are presented as an accurate state of the focus of the research, but the detailed collection of data is often at the expense of an understanding why things have happened, or why they may happen in the future. The predominance of quantitative research methods which are geared, for example, to finding out how many people hold particular views, or variations of measures of corporate performance. By contrast, however, the qualitative methods used in this study have concentrated on exploring in much greater depth the nature and origins of the points of view of key informants, or the reasons for, and consequences of, the choice of corporate key performance indicators. Subjecting people to statistical analysis makes very little allowances for the human hearts and minds; feelings, attitudes, behaviour, pride, culture and history, etc. Both these methods, quantitative and qualitative research will be compared and contrasted below, but suffice it to mention here that the qualitative method used was a combination of theoretical underpinning, the analysis of key themes and semi-structured interviews with policy planners and decision makers. Entering the 'hearts and minds' of the key informants was far more attractive and compatible with the achievement of the objectives set for this study, provide a greater understanding of the problem areas (outlined on p.93) and provide a more effective test of the hypothesis given at the start of this thesis. Graphically, it can be represented as in Figure 6 below.



Figure 6 sets out the inter-relationship between the three components of this study. It should be stressed that an iterative approach was adopted and where there was any divergence between the various elements at any of the three levels, a critical approach was espoused and the differences analysed. For example, the Government of UAE has a policy of Emiratisation and this involves a reduction in, and reliance on, the expatriate labour force. The author, however, offers an alternative view and takes the position that it will be very difficult to achieve the Government's programme and, simultaneously, meet its objectives as described in the 'key issues'. Foreign investors will want to take advantage of the cheap labour supply in order to maximise profits. Nationals are very reluctant to work in manual and service sectors occupations, nationals are reluctant to give up their concessionary business grants and interest free loans, gifts of land and greater benefits and pay in the public sector than the private sector can afford, etc. These are the prevailing tensions that exist and are really not given the prominence in debate that they warrant. These are the issues that are comprehensively addressed in this study and based on the evidence gathered in the qualitative research, conclusions are drawn and recommendations are made and will be conveyed to government for action.

The qualitative research is based upon >120 interviews with middle and senior managers and 10 comprehensive case studies of selected (progressive) companies within UAE. There was at least one senior manager interviewed for all the 10 case study companies, but the other >110 semi-structured interviews were with opinion formers outside the case study companies. For example, an interview took place with a senior planner of the monopoly telecommunications company Etisalat. Etisalat is a company not featured in the list of case studies, but it does have considerable influence on UAE society generally and it funds the 'Marriage Fund' and other charities, which the government sees as a function of its 'public ownership'. There was another formal interview with the Personal Advisor to the President and author of the book *'Reminiscences, My Voyage with Zayed.'* These are the true opinion formers and the information gathered from them is invaluable to the achievement of this study's objectives. But this information could not have been gathered by quantitative

methods; the value to the study was getting their opinions and attitudes, impossible to measure statistically. All the managers interviewed tended to be powerful and very busy people and clearly they allowed the author access to their companies and to their personal details because they thought that some benefit would accrue to them in so doing. Managers today have to account for their time very carefully and each interview took approximately two hours, which was a considerable sacrifice, and the atmosphere created in these interviews suggested that they were mutually beneficial. They were, however, conducted in conditions of confidentiality (with a number of exceptions as agreed) and trust. However, some specific points in Figure 6 need further explanation:

- It could be argued that there should be some of the 'boxes' with greater and more direct contact than others. (This could be represented by the thickness of the arrows.) However, the diagram is drawn on the understanding that, like systems theory, all boxes link with all other boxes and any changes to one of the areas denoted by the boxes, will automatically impact on all other areas. For example, if the Government imposed income tax on expatriate labour, this would induce a financial shock in all four of the key issue areas. (The income tax issue, in some form or other, is likely to be imposed in the near future, to act as a deterrent for foreigners to seek jobs.)
- The Islamic context must be seen as a backdrop to all areas within the diagram. The vision statement of Saudi Arabian Airlines encapsulates this extent of the influence: "Saudi Airlines aspires to be a world class airline, whilst retaining its traditional culture". So the study examines a 'traditional' culture adjusting to the impact of the need to adopt western business strategies and that a majority of the population of UAE are foreign, We are now witnessing a situation whereby previously 'closed' societies accustomed to strong centralised government are opening up and liberalising their financial and political systems to accommodate foreign investment: viz, Saudi Arabia. However, before proceeding, we need to understand exactly what the concept of the 'Islamic Context' actually means and translates into business decisions. It should be firmly understood that Islam covers all aspects of life. In the Muslim faith, everything in the universe belongs to Allah (SWT); wealth is considered the property of God and life and business decisions based on God-given law – Shari'a (Mufti 2000). The letters 'SWT' represents a blessing on Allah, they are an abbreviation of '*subhanahu wa ta'ala*': Praise to him and may He be glorified. The Holy Koran itself contains hundreds of ethical and moral pronouncements, as they apply to managers and businessmen. In many instances, these are parallel or similar exhortations to those that may be found in the Judeo-Christian texts. For example, the Ten Commandments are almost identical for all three faiths. (Pomeranz, 2004, page 8.)

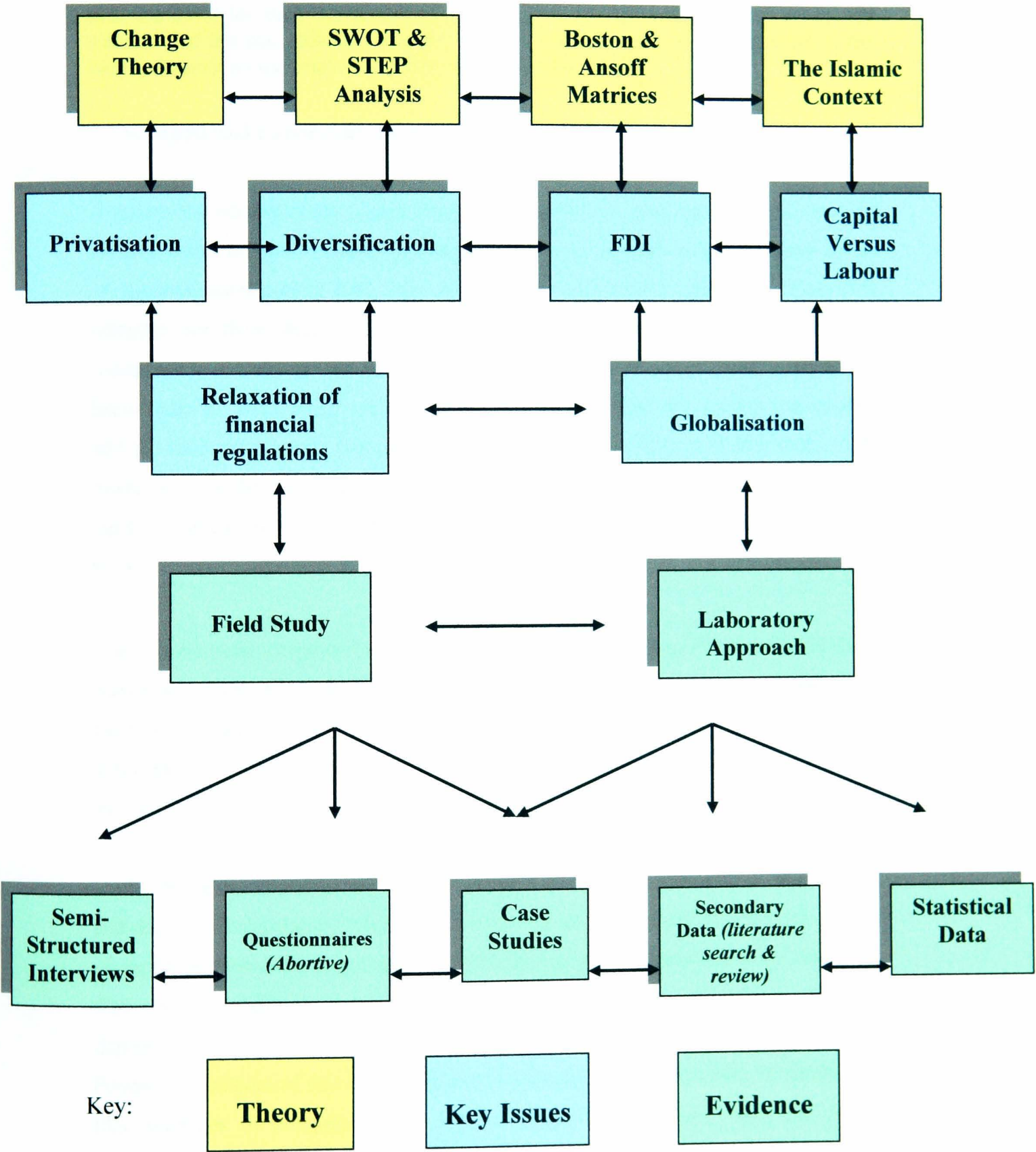
The questionnaires proved to be valueless in terms of research and data collection, but they presented a valuable lesson. One thousand questionnaires in both Arabic and English (2,000 in all) were distributed to the staff of a large private sector company. (See Appendix 4) This company was selected because it is one of the largest and most influential in Abu Dhabi. Most of these staff are foreigners originating in South Asia (including the Indian Sub-Continent), few have any formal qualifications and training programmes for these lower categories of staff do not exist, there is little or no job security (the withdrawal of sponsorship held by the employer, for any reason, will lead to the individual having to leave the country forthwith and any promotion opportunities will go to nationals, not these foreign workers. And yet, over four hundred questionnaires were returned and the comments were, without exception, all positive. Not one negative comment was received. They claimed to be managed well, to have adequate training and good terms and conditions of work; they get on very well with their managers and they are satisfied with their job security and look forward to having a successful career with the company. One can deduce, fairly accurately, that although the questionnaires were entirely anonymous, the staff's responses were based on fear of losing their jobs together with their resident's visas.

It is important to note that the literature review is a research component, which was ongoing throughout and utilised chapter by chapter. Even during the period of the study, radical socio-economic changes were experienced and this is illustrated by reference to the oil prices that went from a low in the autumn of 1998 of \$9 a barrel to the current price (with the unstable situation in Iraq and also Nigeria) of almost \$70 per barrel. It is extremely difficult, but essential to keep the analysis updated, with the latest statistical and official data as it becomes available from the various sources. The official census of the population took place in December 2005, and the results will not be published until mid-2006.

Case studies and structured interviews are very closely linked. Twenty companies were carefully chosen for scrutiny and their strategies, values and operational procedures were examined. As part of this examination, interviews were held with key informants, usually at the General Manager level, to provide information in two directions; the rationale for past performance and the strategies for the future in the light of the pace

and extent of changes now occurring in national and international commerce (blue boxed, ‘key issues’ located in Figure 5 below).

**Figure 5      The Three Research Components**



In broad terms, the chapters in this dissertation are related to the 'key issues' and the theory and evidence then blended and integrated into each chapter. Considerable emphasis is given to the labour problems as given in Chapter 3.

The 'key informants', in general, asked to remain anonymous and in most cases this was the basis for their agreement to be interviewed. This was particularly so, for reasons that are not difficult to understand, and which most notably applied to the twenty interviews undertaken with local women team leaders.

## 5. Field and Laboratory Research Methods

A theoretical outline of the various forms of research methodology has been analysed so as to select the best methods to suit the research hypothesis. These different forms of research methodology have been divided into two simple categories. In the first category are those that can be referred to as '*field*' methods, which require the researcher to actually go out and study an organisation in its natural environment. The basic types of 'field' study are the 'case study', survey analysis, 'natural experiment' and the field experiment. It should be noted that for the purposes of this study, field methods were the generally favoured methodology and particularly the case study method was chosen for its qualitative value. The strengths of these methods are given below.

The second basic category is referred to as the '*laboratory*' approach. This is more commonly associated with the study of the natural sciences but has been applied to the field of social sciences by research theorists such as Karl Weick <sup>(Weick, 1969, p 194)</sup>. 'Laboratory' methods involve attempting to break an organisational process down into its component parts in order to study the mechanisms of each in isolation.

Under the laboratory approach, control of the individual components is much easier, and thus this methodology lends itself well to the intensive study of a limited number of variables. However, it is somewhat artificial, and the relationships, tasks, and goals that would normally exist in a real organisation have to be fabricated to a certain degree.

People, the subject of this study, are not 'component parts' or factors of production like machines or computers, they have feelings and emotions, fears and needs, expectations and a culture which is invariably different from that of their employers

and managers. Their 'cultures' and languages are also likely to be different from each other: one ADMA Planning Engineer suggested that there are over 75 different languages spoken in his organisation, and another 'line manager' for a tanker company complained that he had to use one of the 'team' as an interpreter as none of his staff spoke any English or Arabic.

Furthermore, there are different types of research methodology. Each is worth investigating in order to acquire a better knowledge of them and then be able to select the most suitable method. People tend to use different styles to collect data and in some prospects, more than one approach is used. However, the selection of one style does not necessarily limit the researcher to remain confined within its limits. The methods used in the different type of approaches are not mutually exclusive.

The different types of approaches, whether quantitative or qualitative, ethnographic, survey, case study, natural experiment, library or others, each has certain strengths and weaknesses and it really depends on the researcher to choose those aspects which will facilitate an understanding for the reader when reading this thesis. As Bell has pointed out.

"A successful study will provide the reader with a three-dimensional picture and will illustrate relationship, micro-political issues and patterns of influence in a particular context" ( Bell, 1995, p 9)

Each approach will now be discussed in detail to facilitate a sound understanding of the method in relation to the selection of the most appropriate method for gathering the required information for this study.

## **Field Methods**

Field methods have been classified in a number of different ways, but for our purpose we will use the following classification: (i) the case or multiple-case method, (ii) survey, (iii) the natural experiment, and (iv) the ethnographic approach.

### **i) Case Study as used in this study**

The case study or multiple-case study is an observation by the researcher of an organisation or organisations. It usually includes written descriptions of the researcher's overall impressions about the organisation or of the specific organisational variables under consideration. This methodology may require the use of a "participant/observer" to gather the information. Observation is an especially useful method for the study of organisational processes, such as inner-organisational communication or change. Although Yin <sup>(1994)</sup> has argued that Questionnaire research - another alternative - tends to provide data more effectively on such issues as attitude, values, perceptions, and so on, but this approach works less well when looking at processes and especially human resource processes. Although this study is largely about human resource issues and the utilization of foreign labour, a contrary view has been argued here that attitudes and behaviour are extremely difficult to evaluate in terms of the completion of questionnaires remotely and the assessment of emotional issues by statistical methodology. This was certainly the experience from the distribution of 1000 questionnaires in this study. However,

"The case study allows an investigation to retain the holistic and meaningful characteristics of real life events - such as individual life cycles, organisational and management processes, neighbourhood change, international relations and the maturation of industries." (Yin, 1994, p 3)

Thus, we can and have used more than one strategy in this study such as survey within a case study or a case study within a survey. Case studies have provided us with a wealth of material on organisations, but they have been criticised for their lack of measurability and lack of objectivity thus making replication difficult. One also does not know if the organisation in the case represents an abnormal example due to the small sample of organisations involved. However, in dealing with newly developed theories about organisations, it is the only method that fits; and for exploratory studies that lead to the development of theories, the case study or multiple-case study may be among the most effective ways of gathering initial information.

The multiple case study is one of the research methods which predominates in this study and it is used alongside other methods, such as >120 face-to-face, semi-structured interviews. The interviews can be said to provide a more abstract and conceptual approach (interviewees may be reflecting their 'wish list' or ideal situations, rather than what is actually happening, which can be tested more easily in the case study approach. In the questionnaire approach, respondents may be providing answers which they think the researcher wants to hear, which may, or may not, be the truth. This cannot happen so easily in semi-structured, face-to-face interviews.

The interview method was chosen as the key informants were selected from the whole cross section of business and commerce in UAE. Their organisations represent public and private sectors, profit and non-profit, large and small. There was surprising homogeneity on views from the key informants (interviewees) on the issues raised, but these are culturally determined as most of these informants were locals. The views and attitudes elicited from the interviews were recorded (paper record) and used against 'good management and leadership practice' and Islamic culture. These last two concepts proved to be synonymous. The ensuing analysis was supported by using selected management theory, e.g. The Boston and Ansoff Matrices and Lewin's Planning and Managing Change. These are all relevant to the management of staff in UAE and also relate directly to the management principles contained in the Holy Koran (the Ethical Code by which all Muslims should live by). Therefore, the information gathered has been analysed, it has been subjected to comparison with 'good practice', it has been related to the objectives and hypothesis as well as the research problems outlined <sup>(page. 93)</sup> and it has informed the conclusions and recommendations.

Many other forms of research methods were evaluated for their potential contribution to the achievement of the study's objectives, but most were rejected as being less effective than the qualitative research. But this is not mutually exclusive and the 'chosen' qualitative research methodology was enhanced by a further, by a related method, called 'Documentary Analysis'.



In the main, the statistical data have relied very heavily on the official Government Statistical Abstract and the Yearbooks all published by the Statistical Abstract and mainly based on the 1995 population census; and so they are out of date. However, heavy reliance has been placed on an additional portfolio of unpublished data provided by the Director of the Central Statistical Office of the Ministry of Planning who was interviewed as one of the 'key informants' and this contained up to date information gathered by the Ministry of Planning on data such as the number of Labour Cards issued to foreign workers, etc. Many other sources of information have been used in the study, but these sources were enhanced by access to the files of the Business Monitor International and the Editor of the Middle East Section was another 'key informant' and was interviewed accordingly. In addition, many reputable newspapers and journals were scanned daily and a number of semi-official reports; e.g. those issued by banks and Chambers of Commerce. These are listed in the bibliography.

Document Analysis has been defined as a general term for 'an impression' left by a human being on a physical object <sup>(Travers, 1964)</sup>. The research could involve the use of many different types of source materials such as films, videos, reports, books, journals, etc.

Documents could be either primary or secondary, where the former deals with documents of the period under study and the latter deals with the interpretation of the events i.e. history. An important aspect here is the objectivity of the research that has to avoid the bias of the writer of the existing document.

"It could be argued that the techniques of document analysis here are mainly the application of common sense. This is partly true, but as you study the sources, you will gradually gain insights and detailed knowledge which will give you a 'higher common sense' which will in turn permit a fuller appreciation of the worth of the evidence'." Source: Barzun and Graff, 1977, p 130

## **Validity and Reliability**

Any serious research has to make sure that its input data is as valid and reliable as possible. Bell <sup>(1995)</sup> argued that the reliability is the extent to which a test or procedure produces similar results under constant conditions on all occasions. She also notes that the validity of the information is equally important and the researcher should always make sure that an item measures or describes what it is suppose to measure or describe.

### **Advantages and disadvantages**

We have seen that both the field studies and laboratory studies have associated costs and benefits. Furthermore, in order to push back the frontiers of organisational knowledge, there is a pressing need to integrate laboratory and field study. As suggested earlier, the kind of methodology used in researching labour disposition and segmentation in the UAE depends somewhat on the subjective nature of the problems that impact of the working hypothesis as outlined in pages 29/38 above.

## **6. Quantitative and Qualitative Methodology**

It is now necessary to discuss briefly these two research methods. The first to enunciate why it was rejected and the second to reveal why it was the principal method chosen.

### **Quantitative Methodology**

A great deal of social science research can be described as showing many of the characteristics of quantitative research <sup>(Bryman 1995 and Bryman, 1989)</sup>. The principles of this model of the research process resemble closely a 'scientific' approach to the conduct of research. A concept such as scientific research itself needs some clarification because it is:

“... inevitably vague and controversial but in the minds of many researchers and writers on methodology it entails a commitment to a systematic approach to investigations in which the collection of data and their detached analysis in relation to a previously formulated research problem are minimum

ingredients.” (Bryman, 1989, op.cit, p. 6; See also Figure 1 ‘A simplified systems approach to social analysis in UAE’)

Quantitative research refers to the type of research based on the methodological principle of positivism and neopositivism and sticks to the standards of strict research design created before the research commences (Sarantakos, 1993). The research employs quantitative measurement, which is usually subjected to statistical analysis and probability testing.

### **Quantitative research has a number of major characteristics:**

#### **i. Concepts and their measurement**

According to Bryman (1989) the starting point for a study is a theory about some aspect of the way the key actors function. From this theory a specific hypothesis (or hypotheses) is created which will be tested. Thus quantitative research needs to produce the observable concepts that are rooted in the hypotheses. These concepts then need to be measured in order for the hypotheses to be systematically tested. The measures are considered as *variables*, that are attributes on which people, organisations, or whatever, show variability. There is always the perception that:

“... a measure is likely to be a relatively imperfect representation of the concept with which it is purposefully associated, since any concept may be measured in a number of different ways, each of which will have its own limitations. “ Source: Bryman 1989, p. 7

For example, using the number of staff who complain about their management, does not encapsulate other aspects such as whether they simply resign from the organisation in question or whether they stay on and produce unsatisfactory goods or services.

#### **ii. Causality**

Quantitative research is often highly preoccupied with developing the causal relationship between concepts (as we can see in the example above). The concern can be regarded as a transposition of what are deemed to be the ways of the natural sciences to the study of society. Davis (1985), stated that “social research aims to develop causal propositions supported by data and logic” (Davis, 1985, p. 10). This preoccupation with the demonstration of causal effects is often mirrored in the frequent use of the terms ‘independent variable’ and ‘dependent variable’ by quantitative researchers. The term ‘cause’ is frequently used to denote that something determines something else. In a study such as this one spanning many decades and predicting future trends, the presupposition of causal links is far too simplistic and inappropriate. But one can be certain that there is no monocause to the problems outlined on

page 93 above. In the United Arab Emirates, the exploitation of oil wasn't 'caused' by the invention in Japan of the cultured pearl, the both event happened coincidentally.

### iii. Generalisation

A third preoccupation is generalisation; that is the supposed desirability that the findings of a particular investigation can be generated beyond the confines of the research location. In social survey research, the issue of generalisations manifests itself in an emphasis on how far the samples on which research has been conducted are represented in the population at large. Mainly, the concern is to prove that results can legitimately be applied to a wider population of which the sample is representative. If results have some generality beyond the particular and possibly idiosyncratic boundaries of a particular study, the quantitative researcher is moving nearer to the law-like findings of the natural sciences. In the case of foreign labour and its disposition in UAE there are many variables involved. Firstly the issue itself is highly emotional in terms of cultural heritage, it is highly selective in terms of 'it is our wealth the foreign workers are taking', and it is problematic as the locals will not do the work anyway. A further point on generalisation is that foreigners represent more than 90 percent of the labour force. In these circumstances, it is difficult to generalise with any degree of accuracy.

In the current study, for example, we might want to ask how far the particular results obtained can be used to predict or explain the behaviour of other businesses and their patterns of trading, perhaps in other countries or societies. If we are confident that we can generalise beyond the particulars of this study, then we are moving towards suggestions 'laws' of business behaviour and thereby take no, or very little, cognisance of the impact of culture, attitudes, history or religion on the specific behavioural patterns. (See Hofstede, 1980)

### iv. Replication

Bryman <sup>(1985, p.37)</sup> stated, "... The replication of established findings is often taken to be characteristic of the natural sciences." The belief in the importance of replication to scientists has resulted in a view among quantitative researchers that such activities should be an ingredient of the social sciences too. Quantitative research, therefore, shows a concern that investigations should be capable of replication. This means that it should be possible for a researcher to use the same procedures as those used in another study to check on the validity of initial research. Replication can act as a check to establish whether a set of findings is applicable to other contexts. In this sense, the issue of replication is often related to the focus of the generalisation. A second rationale for emphasising the 'replicability' of research is to ensure that the biases and predictions of investigators can be checked, by allowing their findings to be verified. If someone else can successfully use the same research

design and measurement procedures, confidence in the main findings can be improved.

However, a major problem in the social sciences is that at least one major variable changes as replication takes place. Whilst many scientific laws and investigations are time independent (or the effects of time can be accounted for), most social science research will be affected by time since time will inevitably affect the context of research. In particular learning, in its most general sense, will have taken place and the 'lessons of the past' will have a degree of impact on the behaviour of the present (either consciously or subconsciously). Thus there is no particular reason to suppose that the behaviour of UAE entrepreneurs and managers is, or should be, the same in 2003 as it was in 1973. Further, UAE nationals will have a different mind-set to a given circumstance than, say, an Indian or UK national operating in similar circumstances. The rule here is that it is extremely difficult for the researcher in the social sciences to produce a culture-free research process.

#### **v. Individualism**

Finally, quantitative research tends to consider the individual as the focus for empirical investigation. Writing about what he calls 'instrumental positivism', Bryant has mentioned the tendency for the individual to be the centre of focus for researchers <sup>(Bryant, 1985)</sup>. In the main, this focus stems from the fact that the survey instruments are administered to individuals as the main objects of the investigation. Their responses are then aggregated to establish overall measures for the sample. There is no need that individuals should know each other only that their survey responses can be added up.

### **Qualitative Methodology**

The distinction between quantitative and qualitative methodology is not always clear and as the main instrument for research for this particular study is the semi-structured and structured interview, it is worth using this as an example to illustrate that interviews can be used in both a quantitative and qualitative way. Similarly, a single piece of interview transcript can also be analysed in either way. In this case, the interviews have been used to get behind the raw data to elicit the 'hearts and minds' of the interviewee, to gain insight into their history, experience and culture and to explore their aspirations for their organisations, their communities and their families. Much has been written about the nature and process of qualitative methodologies, and presented below is just a sample of interpretations.

#### **Qualitative research aims to discover:**

“...what kind of things people are doing, what kinds of processes are at work, what kinds of meanings are being constructed, what kinds of purposes and goals inform the participants’ act, and what kinds of problems, constraints and contingencies they see in the world’s they occupy.” Source: Dawson, Klass, Guy, and Edgley, (1991)

This quotation by Dawson et.al summarises effectively the differences between quantitative and qualitative research methodologies and it also encapsulates the reasons for selecting the qualitative research method for the purposes of this particular study. This decision is further endorsed by the quotations below:

“Qualitative methodologies refer to research procedures which produce descriptive data: people’s own written or spoken words and observations. This approach directs itself at settings and the individuals within those settings are holistically; that is, subject of the study, be it an organisation or an individual, is not reduced to an isolated variable or to an hypothesis, but viewed instead as part of a whole.” Bogdan, and Taylor, (1975, p. 4)

“an approach to the study of the social world which seeks to describe and analyse the culture and behaviour of humans and their groups from the point of view of those being studied.” Bryman (1995, p. 46)

This is exactly what this present study on ‘the employment of foreign labour in relation to sustaining economic growth’ has attempted to do. The initial objectives set for the research programme encapsulates the following in a very persuasive manner:

“Qualitative research is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them.” Denzin and Lincoln (1998, p.3.)

“(Qualitative research is) ... an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world.” Van Maanen (1983, p. 9)

“(Qualitative research is) ... as trying to fully describe and comprehend the subjective meanings of events to individuals and groups. Qualitative

researchers emphasise the socially constructed meanings of reality, the intimate relationship between the investigator and what is investigated and the situational constraints the shape inquiry” Epstein (1998, pp. 185-198)

Fundamentally, the decision to select qualitative research methodology for this study is vindicated by Anderson and Meyer, who stated that:

“...qualitative research methods are distinguished from quantitative methods in that they do not rest their evidence on the logic of mathematics, the principle of numbers or the methods of statistical analysis.” Anderson and Meyer (1988, p. 247)

The ‘raw materials’ of analysis in qualitative research are actually talk, gesture, reason and logic, and other social interaction. The qualitative researcher attempts to elicit what is important to individuals as well as their interpretations of the environments in which they operate and this is achieved through in-depth investigations of individuals and their milieus. Participant observation and unstructured or semi-structured interviewing are two of the most prominent methods of data collection associated with the qualitative approach to organisational research. Each requires satisfactory prolonged contact with the people being investigated and each is somewhat unstructured in that the researcher seeks to constrain the individual as little as possible. (Bryman, 1989) For the purposes of this study, over 120 formal structured and semi-structured interviews were held and these were divided into two main groups: senior management and government officials and women team leaders, in the event the number of informal and unstructured interviews that were actually held can be more realistically doubled. (See Appendix 3 for the outline of questions asked in the semi-structured interviews).

### **Qualitative Research has a number of key characteristics**

#### **i. “Seeing through the eyes of ....”**

The most important characteristic of qualitative research is its express commitment to seeing events, actions, behaviours, norms, values etc. from the perspective of the subjects who are the focus of the study. Qualitative researchers experience reality as others experience it, Taylor, and Bodan, <sup>(1984)</sup> and Blumer, <sup>(1969, p. 86)</sup>, explains it this way:

“To try to catch the interpretive process by remaining aloof as a so-called ‘objective’ observer and refusing to the role of the acting unit is to risk the worst kind of subjectivism – the objective observer is likely to fill in the process of interpretation with his own surmises in place of catching the process as it occurs in the experience of the acting unit which uses it.”

## **ii. Descriptive**

One of the main aims of qualitative research style is to provide detailed descriptions of the social settings and ‘reality’ under investigation.

## **iii. Contextualism**

Qualitative researchers exhibit a preference for contextualism in their commitment to understanding events and behaviour. The main message that qualitative researchers convey is that

“whatever the sphere in which data are being collected, we can understand events only when they are situated in the wider social and historical context.” Source: Bryman, 1995, p. 65

Reference to Figure 6 above will provide a practical example of the ‘contextualism’ referred to by Bryman. Contextualism was also the model from which this research programme was originally designed.

## **iv. Process**

There is an absolute longitudinal element built into much qualitative research and this is both a symptom and cause of an understanding for the viewing social life as a dynamic rather than a static representation.

## **v. Flexibility and lack of structure**

Qualitative research has not been as refined and standardised as other research approaches and this contains strengths as well as a weakness. Qualitative researchers are flexible in how they go about organising their research programmes. Taylor and Bogdan <sup>(1984)</sup> regard the qualitative researcher as a ‘craftsperson’. The qualitative social scientists are persuaded to be their own methodologists <sup>(Mills, 1959)</sup>. Consequently, they tend to prefer a research strategy that is relatively open and unstructured, rather than one that has decided in advance exactly what ought to be studied and how it should be undertaken. This study has adopted a ‘middle of the road’ eclectic approach.



## **vi. Theory and Concepts**

Qualitative researchers often do not accept the formulation of theories and concepts in advance of the beginning of their fieldwork. By and large, qualitative researchers prefer an approach in which the formulation and testing of theories and concepts develop parallel to the data collection. As Taylor and Bogdan <sup>(1984)</sup> conclude, qualitative researchers develop concepts, insights and understanding from patterns in the data, rather than gathering data to test preconceived models, hypotheses or theories. This was the pattern, which determined the course of the present study. Considerable thought was given to the research methodology at the outset and it was decided fairly early in the programme that qualitative methods were most appropriate to meet the needs of the study's objectives. The semi-structured interview and case study methodology were chosen as the primary sources of data collection but, in addition, one thousand (X 2, Arabic and English) questionnaires were distributed to the staff of one of the largest and most influential private sector companies in Abu Dhabi (and beyond). These questionnaires were distributed in both Arabic and English and the returns (430) proved most disappointing with much misleading and inaccurate information. (See Appendix 4 for a copy of the questionnaire.) In the event, it was the qualitative research that proved most enlightening. Theory was applied to the data for three main functions:

1. **To diagnose problems and difficulties** (e.g. planning and managing change, STEP and SWOT analyses).
2. **To analyse business strategies and develop projections** (Ansoff and Boston Matrices).
3. **To establish management and leadership styles, culture and attitudes** and their impact on the 'key Issues' as represented in Figure 7 in relation to the employment and segmentation of foreign nationals.

The particular blend of methods used in this research has been developed to achieve the aim and objectives of this study in a systematic and holistic manner, rather than being merely a replication of previously used studies. However, the methods of interview and case study conducted with a focused eye on the research hypothesis, compounded by a conceptual framework and used here, have been constructed with the general principles governing good research practice and with respect and confidentiality to all those who contributed to the achievement of these objectives.

### **Interviews as a method of qualitative research**

Interviewing, as with other methods of research, is a deceptively complex process and for the purposes of this study, considerable thought went into the planning of this research. The first stage was to decide just what information is to be obtained and what questions are to be addressed. Once this was mapped out, and the questionnaires failed to achieve their objectives, it was decided that interviews were the most suitable way of gathering the required information. The questions asked related directly to the Research hypothesis (page 29 above), the Research Problem Areas<sup>(pp.91-97)</sup> and the objectives set for the study. (See Appendix 2 – Key Informant Interviews.)

The obvious advantage of the interview as a means of information gathering is that they are very flexible and the responses to questions can be explored and clarified immediately in a way that is not possible with written surveys or questionnaires. All the interviews for this study were on a one-to-one basis and all were semi-structured, which permitted some deviation from the set questions. As well as the interview being flexible, it also permitted the use of verbal and non-verbal cues to probe the topic in a way that other data-collecting methods do not allow. The main disadvantages of the interviews for this study was that they were extremely time consuming and somewhat subjective in the nature of the analysis.

### **Skills required for interviewing**

The interviews required skills of an extremely high order and particularly interpersonal skills, sensitivity and cultural understanding. A comprehensive list is given by Powney and Watts<sup>(1987)</sup>, and these include the ability to recognise what is relevant during the interview and remember it afterwards. The interviewer must be perceptive, able to interpret non-verbal signals, have well practised listening skills and an awareness of what the interviewee actually says. The interviewer must form an accurate view of whether the interviewee said what s/he meant to say and was it received by the interviewer in the way that it was meant to be received. In the case of the interviews for this study, the interviewer probed the responses to test whether there was full understanding of the comments expressed by the key informant. The interviewer must be sensitive enough to sustain the interest of the interviewee and adaptable, so that different people receive the same treatment and consideration. It

will be remembered that with >120 interviewees, all of a senior organisational or social position, and 20 devout Muslim women as interview subjects, there is also an issue of credibility, and the interviewer had to maintain and reflect a knowledgeable and credible status throughout. The interviewer, in this context (see Figure 6, The Three Research Components, above, and the yellow box marked Islamic Context) for an insight into the sympathetic handling and knowledge of Islam which had to be displayed when conducting interviews involving this sensitive topic.

## **7. Conclusion to Chapter**

The information used for the preparation of this chapter was acquired by the attendance at a 12 week (part time) certificated course on Research Methodology. This provided valuable insight into determining the methodology employed in relation to the research objectives and imparted a general understanding of research methodologies far beyond those needed for the completion and achievement of the aims and objectives of this particular study. The objectives were achieved and the result is that a valuable piece of research has been completed.

The primary research comprised interviewing over 120 informants and distributing 1000 questionnaires within one private sector company. The informants were selected by their willingness to be interviewed and to give up 2 hours of their time for the purposes of this research. It will be seen (from Appendix 5) that the informants came from a variety of organisations, both in the public and private sectors. Only a few informants agreed to be identified and these are named accordingly. The others were clearly in fear of reprisals if their names, job or companies became published. The company that permitted the questionnaires to be distributed and collected and then followed-up, is one well known to the researcher. The following chapter looks at the UAE and the foreign worker in its situational context.

## CHAPTER 3

### DEVELOPING LOCAL EXPERTISE: A COMPARATIVE STUDY

*“I need of you: more appreciation and more memoirs of life, for he who does not remember his past does not work for his present and more reminiscent talk about bygone days and conditions enables our children to appreciate the present and to be prepared for the future.”*

( H.H. Sheikh Zayed, quoted by Sheikh Musallem, 2000, back cover.)

*“If we do not inform the youth of today, and if they may not get the opportunity to learn about the old days from their fathers and their kith and kin, they may not appreciate the difficulties and hardships we have gone through, experienced and lived with in the past.”*

(Musallem, 2000, back cover)

## 1. Introduction and Context

This study is concerned with the development and direction of a small nation state, with a small indigenous population and a very large foreign labour contingent, within a group of small countries and which all fall within a relative small customs union bound together by a common culture, language and history. The small nation state is Abu Dhabi; the group is the United Arab Emirates (UAE) The Custom's Union, soon to have a Single Currency, is the 22-year-old General Cooperative Council (GCC), which is a stepping-stone for strengthening links of cooperation between the Gulf States. The indications suggests, however, that politically the countries of the GCC area are cooperating into the customs union and convergence towards the single currency, but research for this study suggest that socially and economically the constituent countries are still a long way apart and in grand competition with each other for what must be regarded as a considerable 'local market'. (With the exception of the gas pipeline between UAE and Qatar). As we shall see, collectively the countries forming the GCC are bound up in competition and tensions exists within the six GCC countries (which control 45 percent of the world's oil wealth) that look beyond the GCC area for trading alliances and partnerships. Privatisation, localisation, globalisation, the attraction of FDI and diversification are proceeding differentially in all the GCC states, and the significant feature is that they are all pursuing these elements in competition with each other. Similarly, the labour force, in general, is largely foreign and without this supply of cheap foreign labour, the constituent countries of the GCC would not be able to sustain their economic and fiscal viability.

The World Bank and the International Monetary Fund both proclaim that there is much needed fiscal, political and trade reforms as well as greater transparency and accountability and public participation in state affairs.<sup>Rahman 2003, p.37</sup> In addition, there is differential adoption of the WTO and ILO requirements, which relates particularly to the composition of the labour force, the role and status of women (cf. compare the official Saudi Arabia and UAE proclamations on the position of women at work). and the reliance of expatriates for the maintenance of a viable labour force. Above all, and

adopting the concerns of the President and government of UAE, the general reluctance of the 'Emiratis' to take up employment in the private sector remains an on-going concern. Currently, as we shall see, the private sector is reliant of foreign labour and the proportion of locals working in the private sector is less than 6 percent of the total labour force. <sup>Director of the Statistical Office, Ministry of Planning – a key informant.</sup> The working hypothesis for this study is given above (page 30), but it relates to the government's policy of halving the number of foreign workers within the space of four years. It is the contention here that this proposal is unrealistic and if this target were to be met, it would inevitably impact of the rate of economic growth and the standard of living of all 'emirates'. In addition, it would prevent the skill acquisition of the locals which will not only be detrimental to the competitiveness of the UAE in a global market, but also frustrates the career objectives and the opportunities of the aspiring locals. In short, the declared policy of the government is short-sighted and counter-productive. But primary research has shown that it is popular among locals who tend to alienate and marginalize for workers. As an engineer working for an oil tanker company put it; "If they (expatriate workers) don't like it, nobody forced them to come, they can go". <sup>(Stated in a key informant interview)</sup> These interviews showed a profound lack of understanding of the importance that the foreign workers are contributing to the economy of Abu Dhabi and the benefits for the locals which would not exist if they were not ready to fill the jobs in the private sector that the locals adamantly refuse to fill. The locals in interview, surprisingly, almost without exception, viewed the position of foreign workers in a one dimensional manner; that is the foreign worker 'takes as much as possible and contributes nothing'. The country will be better off without them. This attitude oversimplifies the contribution being made by more than 90 percent of the labour force and their participation in the private sector, where the locals represent about 7 percent of the labour force, is not as simplistic as it first appears in the perception of the locals interviewed. This can be shown by reference to the listing of the research problems on pages 84-89. The working hypothesis poses a contrary view which indicates that more foreign workers are needed to sustain the >10 percent growth in GDP annually. This view is supported by the Financial Adviser to the GCC, Dr Saeed Al-Shaikh.

These issues will all be addressed in the ensuing chapters, but firstly in order to understand the macro picture of where the UAE is positioned at present, one needs to add a little more about the context and background from which it has emerged.

History and geography have provided an extremely rich focus for comparison, and it can be stated at the outset, in order to provide our context, that the changes brought about by the industrial revolution of Britain (say between 1760 and 1860, but can be traced back lineally to the European Renaissance) by using various statistical instruments, the changes can be compared with the changes which took place in the UAE between 1970 and 2000. A mere three decades! It is the pace of the changes that gives rise to the problems outlined on pages 84-89 above and analysed throughout this study. This statement requires some clarification.

## **2. A Comparative Historical Perspective**

The Industrial Revolution brought about a number of changes in science and technology and one may say that these changes were largely about increasing the momentum of changes in technology, science, working practices and the patterns of business organisation. That is, the structure and means of production changed beyond all recognition because there was a need and stimulus for innovation and change. Various movements and political philosophies had been instilled in a relatively small number of 'inventive' people and these philosophies can be said to have had their origins many centuries previously in the European Renaissance and the emergence of the 'Renaissance Man'. No longer was the conventional teaching the basis of industrial production and 'progress'. Britain and Europe after the 1851 Paris Exhibition) had grown into an iconoclastic society, now developed a stimulus to strive towards 'perfection' and religious adherence broadened out into political, philosophical, economic and social changes – the Protestant Ethic. Nothing grows in a vacuum, and the various movements, which started in Medieval Europe, evolved eventually into what we now call the 'Industrial Revolution'. Copernicus and Galileo, Michael Angelo and Leonardo Da Vinci, Martin Luther and Henry VIII, Adam Smith and Karl Marx, Rousseau and Voltaire were both the creators and products of these movements that led inexorably to Lenin and Hitler, nationalism and imperialism.

socialism and Bolshevism and ultimately Globalisation. There wasn't anything new that miraculously appeared in the 18<sup>th</sup> century that hadn't existed before. The American Revolution in 1776, the French Revolution in 1789, the Russian Revolutions in 1917 didn't just happen because a few intellectuals were unhappy with the status quo and decided that political and social systems should be changed. The roots of these movements had been deeply implanted in fertile soil and it was the pace of change that encouraged the transformation from predominantly agrarian societies to the 'mature' economies that feature in the European Economic and Monetary Union that we take for granted today. It was the difference between 'invention' and 'innovation', the difference between Leonardo da Vinci's engineering design masterpieces and their implementation many centuries later.

These economic, intellectual, social and philosophical movements can hardly be described as revolutionary, given the circumstances as described above. When Hitler wrote *Mein Kampf* in his prison cell in Munich in 1922, he was developing themes, ideologies and movements that were propagated by Karl Lueger, the Mayor of Vienna, about half a century before. Instead of the civic liberalism the Vienna municipality came under control of the Christian Social Party of Lueger after 1890. National Socialism and Bolshevism were, to use Newton's terminology, similar and opposites at the same time and they both emerged from the same roots.

The development of the economy from cottage and domestic industry based on the production of wool and crops farmed at the behest of the local villains, through the factory production driven in remote areas by harnessing fast flowing water, through to steam and ultimately electricity, gas and oil as the source of energy and motive power, was an evolving process. It is worth restating (as in the opening paragraph) that the changes in Europe took place over several centuries, in the Gulf area, similar changes can be perceived, but these have taken place in a matter of decades, as opposed to centuries. The chronology has also been different. In Europe there was the transition from Primary production (agriculture) through to Secondary (manufacturing) and then to Tertiary (services). In the area that is the subject of this study, the economies of all the various states described went from Primary production (fishing, agriculture, trading in spices and pearl diving) straight to Tertiary (goods and services notably oil and then more latterly banking, finance and investment and



leisure activities), and only in the last decade or so has there been a thrust for manufacturing for the Secondary sector. In 2004 the growth rate in manufacture production in UAE over 2003 was 15 percent. (*Gulf News Business*, 30 July 2005, p. 33.) But, like construction, these jobs are being created, but they are not filled by locals. (Construction increased by a substantial 16 percent in 2004 *Gulf News Business*, 29 July, 2005, p. 58). It is difficult to perceive how the targets for emiratization can possibly be realised with growth rates such as these, in sectors where the locals will not consider working.

At the time of writing, the UAE has just reached 35 years of statehood and independence in the main under the leadership of His Highness Sheikh Zayed bin Sultan al Nahyan, the President of the UAE since its inception in 1971. Sheikh Zayed had actually been the ruler of Abu Dhabi since 1966 as a result of treaty relations with Britain.

At the time, the Emirate of Abu Dhabi, like the other states along what was then known as the Trucial Coast, was governed by Britain following the Treaty of Sevres (1920 and superseded by the Treaty of Lausanne, 1923) with Britain as the colonising power at the conclusion of the First World War (although Britain had first established its presence in the region as early as 1820, signing a series of agreements on maritime peace with local rulers. Article 22 of the League of Nations Covenant established the Mandates System, founded on the concept of the development of such territories under the "tutelage ... of advanced nations" formed "a sacred trust of civilization". The degree of tutelage was to depend on the extent of political maturity of the territory concerned. The most developed would be classified as 'A' Mandates, the less developed as 'B', and the least developed as 'C'.

The Covenant concludes that the character of the Arab peoples, themselves inheritors of an ancient and advanced civilization, could not but be recognized, and the clauses directly applied to Arab lands as class 'A' Mandates read:

"Certain communities formerly belonging to the Turkish Empire have reached a stage of development where their existence as independent nations can be provisionally recognized subject to the rendering of administrative advice and assistance by a Mandatory until such time as they are able to stand

alone. The wishes of these communities must be a principal consideration in the selection of the Mandatory." (Sheikh Salem Bin Ham, 2002, p.21)

However, Hurewitz further develops the temporary nature of the Mandatory authority:

"The demise of the Ottoman Empire, in fact, 'resolved' the Eastern question. Yet while Britain and France inherited the political controls they significantly did not annex Near and Middle East territory outright. Mandates and preferential alliances were no more than provisional arrangements, and the presence of the Western Powers in various guises stimulated the growth of local nationalism dedicated to the early realization of full sovereignty." (Hurewitz, 1956, p.xvi)

In the event, Britain held the Mandate over the Trucial States until 1971. The Emirates, were small, poor and undeveloped group of separate states, the population was largely Bedouin, and the economy was based on the traditional combination of fishing, pearl-diving and simple agriculture, which perforce, as a desert environment, was located in a few regions such as Al Ain and Liwa. <sup>(Ibid)</sup>

### 3. Necessity is the Mother of Invention

*'Necessity is the mother of invention'*, and just like the demise of the wool industry in Britain was precipitated by the need for the much stronger cotton, more suitable for machine working, so the Gulf's high quality pearl industry collapsed in the late 1920s and early 1930s when the Japanese invented the 'cultured' pearl and the world was thrown into the deep depression beginning with the Wall Street Crash of 1929. The solution was to 'diversify' and the history of the development within the Gulf area in the second half of the twentieth century can really be considered phenomenal by any objective assessment.

It was shortly after the Second World War in 1946 that the search for oil in the area began in earnest. The first excavation well in Abu Dhabi was drilled at Ras Sadr in 1950, to be followed by others in what is now the Western Region, and also off-shore in what is now called the 'Arabian Sea', a name that locally replaced 'the Persian Gulf'. By 1958, the first commercial oil fields were discovered, firstly on-shore in the Bab Field, and then offshore at Umm Shaif. The first export cargo of oil left Abu Dhabi in 1962. This was at a time when the population of the embryonic state was at

its lowest, around 12,000 in 1966. (Data supplied by the Director of the Statistical Office of Ministry of Planning – a key informant.) From then forward, the numbers of foreign workers increased expedientially and oil revenues encouraged the people of Abu Dhabi to share in the newfound prosperity under the guidance and leadership of Sheikh Zayed, who had by now become the Ruler's Representative in Al Ain and in 1966 he succeeded as the Ruler of the Abu Dhabi. The British notified the people of the area of its intention to withdraw in 1967.

During this period, Abu Dhabi had a strictly agrarian economy and in this pre-oil era within the history of the Gulf, Sheikh Zayed recognised the importance of agriculture in the lives of the people “for it provides food, security, more work opportunities and financial gains. (Musallem, 2000, p.30) It is a positive step towards civilization and advancement of the population.” As far as Sheikh Zayed was concerned, “Give me agriculture and I'll give you civilisation”. (Musallem, 2000) Sheikh Musallam Bin Ham graphically describes (in interview as a key informant) the situation regarding housing in the 1960s in Abu Dhabi and Al Ain. “Our dwellings were huts made from leaves of palm trees or woven animal fur. In Abu Dhabi and Al Ain, most living quarters were tent like shacks made from dried palm leaves woven and arranged together closely and firmly. To erect a shack, trunks from tall palm trees were selected, cut in half long ways and lined up in rows to support the roof. The rulers and the people, who were financially better off, had houses built of mud bricks. To repeat for emphasis, this was written about the late 1960s by a prominent contemporary, Sheikh Zayed's personal advisor.

Similarly, and to gain an insight into the actual pace of the development over the last four decades, it is worth mentioning that, according to Sheikh Salem Bin Ham, in the fifties a person used to keep his money attached to him in a piece of cloth and carry it everywhere he went. On one occasion when His Highness Sheikh Zayed saw this ‘sack’ on a person's belt, he commented; “Salem, a time will come when you will not carry your money with you when you travel. You'll find it already there ahead of you where ever you go.” (Musallem, 2000) Of course he was referring to the development of a then non-existent banking and financial system, which has now matured into the market leaders in the financial services in the Middle East (particularly Dubai and Bahrain), and well beyond. (Sheikh Musallem, in a primary research interview with the author).

Before H.H. Sheikh Zayed took the reigns of control of the Abu Dhabi Emirate in 1966 there were no formal state schools. His philosophy, which he has lived by faithfully ever since, was that “Knowledge is like a light leading a man onto the right path. It guides nations to glory, honour and high standing.” (In a personal discussion with Sheikh Musallam) H.H. Sheikh Zayed believed that the real wealth of the country is the people. It is made up of men, women and children and of future generations. His belief lies resolutely in the younger generation that he claims to be the ‘real treasure’. (In a personal discussion with Sheikh Musallam) Following this philosophy, H.H. Sheikh Zayed was instrumental in founding the first school Abu Dhabi – that called the Al-Nahyan School opened in 1959. It is hard to imagine, particularly in relation to the European context, that the first school in Abu Dhabi was opened a mere 40 years ago. Also that it was a further 5 years before the British withdrew (although they had announced their intention to withdraw some three years previously in January 1968) and the United Arab Emirates was proclaimed in 1971. During this time, the population in UAE had increased from around 250,000 to a 2001 estimate of 3,488,000. (Unpublished data supplied by Director of Central Office of Statistics, Ministry of Planning) In Abu Dhabi, in 1966, the population was a mere 12,000 due to the impoverished state of the country post pearl fishing and pre-oil riches. The actual decline in population at this time was due to the indigenous population emigrating to seek their opportunities elsewhere.

Within two years of H.H. Sheikh Zayed’s rule, in 1968, the 12,000 had catapulted by a factor of 13 to 146,000 as many of those who had gone to work abroad, returned to join in the development of the embryonic state. (Musallam Bin Ham, 2000, p.75) In July 1971, the rulers of the Emirates conducted several meetings (according to Sheikh Salem Bin Ham, who was present at them) in Dubai out of which a union was formed comprising six member states; Abu Dhabi, Dubai, Sharjah, Ajman, Um-Al-Quwain and Fujairah and on 2<sup>nd</sup> of December 1971 the Arab nation witnessed the birth of the first ever successful experiment in its modern epoch, that of uniting several states into one entity. The union’s capital, it was decided would be Abu Dhabi and its President was declared as His Highness Sheikh Zayed bin Sultan Al-Nahyan, a position which he held until his death in 2005. The Security Council voted unanimously to accept UAE as UN Member number 132. On 10 February 1972, Ras-al-Khaimah became the

seventh member of the UAE. It is worth quoting a contemporary statement made by H.H. Sheikh Zayed on the position of 'Ruler':

"A Ruler, whoever he may be, is there only for the purpose of serving his people, facilitating good living standards and advancement for them, and towards this goal, a Ruler should rub shoulders with the citizens to be able to understand their wishes and to know their problems. A Ruler who is going to live in seclusion will not accomplish that. The most important duty for us as leaders, is to join hands towards providing better living conditions for our people, for the people always look up to their leaders and their sacrifices are for the benefit of their people." (Musallam, 2000, p.82))

This is a view of leadership, which the President had demonstrated for over forty years. This philosophy of leadership is also consistent with the principles embodied in the Holy Koran that we met in the Chapter 1. But the views of leadership with its emphasis on the young and the next generation, exclude the bulk of the population (>90 percent) of the UAE who represent the 'foreigners'. It is highly probable that the culture (as expressed by the President above) 'of providing better living conditions for our people' has been enshrined into the psyche of the nationals and works to the detriment of the foreign workers. This theory accounts for the many negative comments received in the primary research interviews such as 'if they don't like the way they are treated, they can go home'. What is not understood is that the nationals lack the understanding to appreciate that their high standard of living is, to a major part, the result of having a large contingent of foreign labour available to bolster the UAE economy.

We now continue with Chapter 4 that follows the issues raised in Chapter 3 and focuses on the working hypothesis and looking at the political and economic reality of reducing the numbers of foreign workers in the total labour force. It goes beyond the perception of the interviewees to analyse UAE and its neighbours as a cultural mosaic and look for the 'fit' of UAE with local states of similar backgrounds, culture and language. The chapter will highlight the regional political instability and competitiveness, as it has emerged from the empirical research and the evidence suggests from the responses of the key informants that presently very little convergence toward a single currency is occurring within the GCC. It also appears that there is very little cooperation and integration among the countries of the free trade union, but there is overwhelming evidence to indicate that competition between

the various states of the GCC is rife. This competition spills over from economic growth and market share to competition for foreign labour, bearing in mind that countries of the GCC all have the same businesses and commercial objectives. This will be explored in the following chapter.

## CHAPTER 4

# REGIONAL POLITICAL AND ECONOMIC INTEGRATION

### “The Religious Imperative

Significant trends are emerging in Islamic businesses:

There is a tendency toward a unified political and economic system.  
This is likely to affect the flow of international trade.”

Source: Pomeranz, 2004, page 11.

***“If we want to take part actively in the new global thinking and participate fully in the running of our world then we should be rigorous in our endeavors and in applying our knowledge but also we should be faithful to our principles.”***

HRH. Prince Khalid Al Faisal Bin Abdul Aziz Al Saud

(An article written by HRH after attending the World Economic Forum in N.Y. in February, 2002. Published as ‘Toward an Arab World Economic Forum’, in *Saudi Business Focus*, Issue Two, 2002, p. 14.

## 1. Introduction

This and the ensuing chapters take up the theoretical constructs of Chapters 1 and 2 and continue with a historico-social and practical perspective. That is, it explores the discrepancies between perception and reality, reality as was revealed in the empirical research by the key informants. Without the application of theory, much depth of analysis would be lost and without the methodology, the study would lose much of its direction. This chapter focuses on the working hypothesis <sup>(p.29)</sup> that it is contrary to the nation's interest to adhere to government's policy to reduce the proportion of foreign workers by half by 2010. No longer is the fate of the government of UAE and that of local people in the hands of the Ruling Al Nuhayyan Family.

Above all, four external agencies have considerable influence on the long-term development and strategic planning of the UAE. These are the WTO (World Trade Organisation), OPEC (Organisation of Oil Exporting Countries), the GCC (Gulf Cooperation Council) and the ILO (International Labour Organisation). The WTO has imposed rules and regulations on all its member countries and these are in relation to international trade. These regulations can be enforced by the threat of sanctions if this western style organisation feels that any of its conditions have been breached. This affects the UAE membership of the GCC and any new alliances, such as the negotiations taking place now between UAE and the USA for a free trade agreement. OPEC has almost total control of the amount of oil being exported and the price of this oil by its member states. Therefore, as the UAE is pumping the maximum amount under the terms of its quota, should the price or demand fall, the UAE would need to look to other forms of income generation to satisfy its national budget. This is significant in terms of further development of the private sector and the employment of more foreign workers. Of course, not all oil exporting countries are members of OPEC and the position is that OPEC members may have severe limitations on their freedom to devise their own strategy in relation to oil production, but the non-OPEC countries are free to do as they require. The GCC is currently a free-trade area within Gulf countries which makes for an economic union. But by 2010 it will become a single currency union and this will transform it into a political union as well. The GCC will soon be dominated by Saudi Arabia (by far the largest of the GCC member states), and just like the fact that European law is largely made in Brussels, it should



come as no surprise that GCC law will largely be determined in Riyadh. Finally, we come to the ILO, an agency of the United Nations. This organisation has developed a 'code of practice' with which, it expects all nations will comply. This 'code' can be enforced by levying sanctions and it relates to the equality and treatment of workers – both foreign and local. Periodically it sends its inspectors out to ensure the principle of the equality of opportunity and benefits is being maintained by member states. Because of the segmentation of the labour force, these principles have manifestly not been applied in the UAE and, once again, in the short term there is a strong possibility that the UAE will be warned about discrimination against foreign workers. (The ILO 'Principles' are replicated at Appendix 6).

However, as the position is currently, with the existence of this segmentation, the UAE has little to fear from the ILO. The locals are entrenched in the public sector and the foreign labour is left with the jobs in the private sector. The estimates of representation of foreign workers range from 91 percent to as much as 99 percent. In the main, the locals have the middle and senior management and professional jobs and the foreign workers occupy the more lowly jobs as unskilled and semi-skilled workers and technicians. Clearly, when monitoring the issue of parity between the two sectors, foreign workers cannot be seen to be doing the same jobs as the locals. There is no competition between them and it is not a like-for-like situation.

It is also, at this stage, useful to remind ourselves of the advantages to locals of having a large contingent of foreign labour. Firstly, when foreign workers can do the work which will eventually be earmarked for locals, they would release the local to engage in developmental activities. When the locals return, they can 'shadow' the foreigner until such time as the local can take over. This would provide the local the opportunities to acquire skills and competences that otherwise would not be available without the foreign worker; whilst still sustaining high economic growth and government policy of privatisation, diversification and Emiratisation. To enhance these skills in a practical sense, the foreigners can act as coaches during the period of handover. Secondly, locals expect to be promoted within a short period of starting work. In fact, almost as soon as they are confirmed in their positions. It is rare that a local is not confirmed. (This came through very clearly in the primary research interviews). This being the case, first and second line management jobs needs to be available for them. Having a

large foreign workforce provides opportunities for locals to take supervisory positions at first and then middle and senior management jobs where they act as line manager to the foreigners working to them as subordinates. However, there is a strong case for the government to take action to encourage locals to take jobs in the private sector. There is a further problem here (and discussed in greater depth in Chapter 8), relating to the employment of local women. 21 women middle managers were interviewed and, unanimously, all the women said that they would be uncomfortable being the line manager to a man, particularly if he is older than she was. Some recommendations are made regarding the analysis of these points in the chapter on conclusions and recommendations and this will serve to integrate the whole analysis, chapter by chapter and give added meaning to the conclusions drawn and the recommendations made.

It is worth looking at the two quotations on the cover page to this chapter. These serve to illustrate and confirm what the empirical research revealed; the difference between perception and reality. Well over half of the interviewees had no understanding of what the GCC free trade union was about and the fact that it was already operational. Only a small percentage (<5 percent) knew that in four years at most, the monetary union would be implemented with a single currency and that the Dirham (currency of UAE) would disappear. And yet Pomeranz, (<sup>2004, page 11</sup>) suggests that it is a natural inclination for countries to veer towards integration and cooperation. The other quote is perhaps more revealing. It lauds the concept of globalisation, but goes on to claim there is no compromise with being 'faithful to our principles'. The empirical research has indisputably determined that locals in the research population want to maintain their *status quo*. The problem is that the status quo represents their perception of it but they do not adhere to the value-system as inherent in the quotation by Prince Khalid and as expressed lucidly and explicitly in the Holy Koran. They do not perpetuate the traditional Islamic code of ethics in viewing the GCC as a fraternal partnership, but rather as competitors, they do not see that globalisation will impact severely on their international trading and, above all, they do not treat their foreign labour, amounting to approximately 93 percent of the total labour force, with the dignity, respect and equality that the Holy Koran, good practice and the WTO and ILO demand. They also, look to Saudi Arabia as the custodian of the Islamic values and they justify issues, such as women not being able

to drive in Saudi but it is OK in UAE, as part of the Saudi's 'custodian' role. Above all, most of the interviewees were quite oblivious to the implications of the changes which are occurring and how, as a result of external pressures, it will be very retrograde to maintain the perceived 'status quo.

In the Middle East, rather more than elsewhere, nothing is certain except for change and that's the underlying theme of this study. The government must assess the changes now and in the future and calculate the labour force needed to meet these economic and social changes. But, this is obvious and it is difficult to understand why there is a reactive policy towards the employment of foreign labour. As H.H. the Crown Prince of UAE (Sheikh Mohamed Bin Rashid) has said; "We are not looking to our future, we are actively building it". This is proactive planning which logic dictates will need plenty of cheap labour but; (a) this is not available from the growth in the indigenous population and (b) even if there were adequate labour from the locals, they would not, as the position now stands, be at all interested in taking the jobs that only the foreigners are now prepared to do.

The area of the Middle East is rich in resources and is internationally intriguing, yet it lags behind other world regions in economic and technological competitiveness. In spite of considerable long term potential, there are many contradictions within the area that will be explored and the current economic and defensive picture looks uncertain. The region is either on the verge of collapse or it could be recorded in the annals of history as an economic miracle. What changes are needed to realise globalisation and economic competitiveness? This chapter looks at how the contradictions and ambiguities can be resolved. It explores the current and future comparative positions and economic and commercial potential. It suggests integration of the micro- and macro- economic forces and analyses the processes of establishing strategic regional alliances, but simultaneously it highlights the fragmentation and disunity of the Arabic states in the area. In short, the chapter starts by providing a few working definitions and then outlines the economic, political and socio-cultural realities of the area as a backcloth to predicting labour needs to sustain (and increase) economic growth in UAE as members of a common political and economic unity in the next two decades at least. A brief examination of military expenditure is provided which gives an indication of the extent of national budgets and alliances in the region.

## 2. A Political and Cultural Mosaic

The Middle East represents a political and cultural mosaic of enormous diversity and the western countries must accept that when dealing with the Arab states, they are actually dealing with peoples of many diverse identities, cultures, backgrounds and traditions. Islam, however, is a religion of education (the first word in the Holy Koran is '*read*' to stress the vital importance of knowledge), mercy, co-operation, tolerance, reason, justice, charity, understanding and the honouring of promises and pledges. It is also a people of involvement, participation and consultation (much to contrary belief among the key informants) as rooted in such structures and traditions as the *Majlis* (of Persian rather than Arabic origin but practised in UAE extensively), but widespread throughout the Arab world. Islam orders people in the Holy Koran to be helpful to one another according to goodness and piety. (Verse 2 in Sura 5.) Indeed, Mubarak has recently <sup>(1998)</sup> examined the core concepts underlying western theories of motivation in the sacred writings of Islam and found surprising similarities between western advocacy and Islamic conceptualisations related to the world of work. (See also Hamdan 2003, Chapter 10) It is arguable that the fundamental concepts, which in the west are believed to arise autonomously as a result of the agrarian and industrial revolutions, may have been borrowed from Islamic writings before the renaissance period and that scholars such as Ibn Khaldun and Ghazzali were familiar with many of these ideas. (Weir, 2000, p.503) The Prophet Mohammed assured people that co-operation with neighbours is essential regardless whether they are Muslim or non-Muslim. And this is a principle that can be extended from local behaviour to international business practice. This theory is brought home by Zineldin who argues: "In Islamic society, the internalisation of Islamic values will not change the laws of the science of economics. Law of demand, law of supply, law of diminishing marginal utility and the law of equimarginal utility, Gresham's Law, etc., will still hold. However, some of the essential socio-economic functions, which the Islamic welfare state is expected to perform, are the following:

- To eradicate poverty and create conditions of full employment;
- To promote stability in the real value of money;
- To ensure social and economic justice through equitable distribution of income;
- To maintain law and order; and
- To harmonise international and regional relations and co-operation;
- Islam also recognises, like capitalism, the freedom of enterprise with the institution of private property, the market system and the profit motive.” (Zineldin, 1998, p.5.)

These ideals should be borne in mind and subsequently related to the situation in which the foreign workers find themselves.

There is nothing ethically wrong in these functions, on the contrary, they are all noble and highly commendable, but the main problem for Muslim countries lies in how to identify the gap between the ideal and actual economic performance. (Singh, 2000, p.1.) For example, one of the constraints, which is certainly a weakness, on international business for the countries of the GCC area is that the constituent members of the customs union all compete with each other both on international trade, for cheap foreign labour and in attracting FDI. The Koran, as we have seen, advocates harmonious ‘international and regional relations and co-operation’ (Zineldin, 1998, p.5.) but the key informants showed little interest in this recommendation from the Holy Book. In interview for the research, most of the respondents (above 80 percent) were not concerned with integration with GCC countries and most (over 90 percent) were unaware that monetary union was immanent. The ideal of integration of GCC conforms to what Pomeranz<sup>(2004)</sup> calls “the religious imperative”, but this is the ideal and this research has determined that the ideal is far from the practise. Specifically, in relation to the employment of foreign labour, these ‘ideals are compatible with those of the ILO, but none of the key informants suggested that these values should be embraced in the treatment of foreign workers, on the contrary, most denied the equality issue..

Islamic societies can productively link themselves with world commerce so as to satisfy their basic needs. It can do this without compromising any of its moral edicts

by following the principles of the *Shariah*. Dubai and Abu Dhabi are two emirates that provide such examples. The problem is not one of modernisation, but certain aspects of modernisation. Improving the standards of living is, as we have seen, in keeping with the teachings of Islam. Muslims need hotels, but do they need casinos? Does 'modernisation' involve eating pork or drinking alcohol? Muslim conservatives do not object to foreign investment; but do object if some investment is linked to pornography, extramarital sex, alcoholism, drug abuse, gambling, juvenile delinquency, and crime in general. Usury is an offence under Islam, <sup>(AL BAQARAH, 275)</sup>, but it is also such in Christianity. Muslims, through the teachings of the Holy Koran shun lending money for usury (interest), but so does Christianity.

One has only to cite a few examples to illustrate the relationship between employment and Islamic principles. We have seen that the primary research for this study has indicated that "locals like strong management and we don't consult on decision-making with our employees", <sup>(Human Resource Manager in a primary research interview)</sup> and this clearly deviates from the tenets of Islamic teaching. We can say that this perception of the traditional society, erroneous as it may be, can be regarded as a 'pull factor'. Conversely, there is also a 'push' factor involved preventing locals taking jobs in the private sector. There was a young Muslim girl working in an Executive Lounge of a five star hotel in Abu Dhabi). She had only been working there a couple of days when she mentioned to the researcher that she was leaving her job. When asked why, she replied that her father could not reconcile his religious views with his daughter working in an environment where alcohol was being consumed. Even worse, having his daughter actually serving the alcohol! She mentioned that she had asked the Front Office Manager if she could be re-located to work at Reception, and his response was extremely negative and he rejected her request in a hostile manner; "You were appointed for the Executive Lounge and you should have known the difficulties when you were offered the job". The Manager was an Egyptian and he was well aware of the difficulties that this young girl faced, but he was less than sympathetic. The Constitution is supposed to protect the individual and the President et al pleads for positive discrimination, but also the young girl met with a resounding refusal to relocate her; notwithstanding she was a local. This matter was raised by the researcher with the General Manager and the discussion centred on the President's request for employers to facilitate the employment of women and Handy's Shamrock

Structure <sup>(Chapter 1, handy's segment that denotes flexibility)</sup>, and the GM stated that "... this is the problem with locals, they are never satisfied". The manager of this hotel (private sector), contrary to the exhortations of the government to employ locals, had adopted a similar attitude to the line manager of the National Oil Company that was formally interviewed as a key informant and who had expressed similar negative views about his 20 women team leaders. <sup>(See Chapter 8.)</sup> The issue should have been "How can we accommodate the needs of the individual Muslim with the needs of the hotel working"? In this case it led to arbitrary dismissal.

Women have a very specific role in the tenets of Islam, as wives and mothers and to be 'queens' in their homes and to be protected from the baneful society. But this does not stop them following a career of their own in the workplace. One must recognise that the interpretation of the position of women will be far different in the Kingdom of Saudi Arabia than it is in Dubai or Bahrain. This will be followed up in Chapter 8 where a full analysis is undertaken and recommendations are made. But for now, an interesting commentary on the topic of women at work, and which reflects a considerable culture change, was made by General Sheikh Mohammed bin Rashid Al Maktoum, Crown Prince of UAE. At the Dubai Government 'Excellence Programme Awards, 2000', when he appointed a woman as a senior Under Secretary, he stressed:

"Our daughters should relinquish being shy, and many of them are, in fact, prepared to occupy senior positions. The director (of a government department) should no longer necessarily be a man."

He then announced the appointment of a woman to the post of Director of the Department of 'Business to Business Market Place' - a government department post which deals with e-commerce between companies, department and banks. This is an extremely 'high-tech' and 'modern' post which suggests recognition that women have an equal part to play in the creation of the new 'modern economy and a revitalised society'. That woman is now the Minister of Economy.

Sheikh Mohammed also affirmed (and encouraged) the shift to 'modernisation';

"Innovation, creativity and initiative have become key factors in administration. We should, therefore, be pro-active and creative. ... Employers, do not settle for mediocrity or second best in your work, but be creative in your approach to everyday tasks. This, in turn, requires that we support and recognise creativity, pioneering, determination and initiative."

The values underpinning the above quotation could have been written by any western management guru but, instead, it was spoken by the next in line to the Presidency and the principles expressed were in keeping with Islamic principles, but they still represented a considerable cultural change in a Muslim society.

### 3. Local Alliances

During the last quarter of a century, important changes and alliances have taken place within the Gulf<sup>(of Arabia that used to be the Persian Gulf)</sup>. The collapse of the Soviet Union in the late '80s has created a number of economically weak states adjoining the Gulf region to the north. The Iran-Iraq war of the 1980s and the subsequent ongoing 'Gulf War' a decade later have left bitter legacies, which are still festering and awaiting permanent solutions. The invasion and annexation in 1991 of Kuwait (one of the partners of the Gulf Co-operation Council - GCC) by Iraq not only created a serious international situation, but its impact was felt among those who were previously allies; e.g. the US was the main combatant against Iraqi aggression and won the support of all the GCC partners. In so doing, the US legitimised and expanded its considerable presence in the Gulf. Indeed, it is still the main defence against aggressors beyond the GCC alliance. Today (May 2005), the US, possibly through the UN, and after the '2<sup>nd</sup> Gulf War' maintains rigid 'policing' against Iraq with the intention of weakening the threat of further aggression in the Gulf area. But UAE was one of Iraq's major trading partners and the UAE sees Iraq as the major counter-force against its declared enemy, Iran. Following the Second Gulf War, the pro-US Alliance is not so strong and (with the possible exception of Iran) the area is solidly Muslim and just beyond the area is Muslim Pakistan. It is also frequently forgotten that India is a nation that has the second largest Muslim population in the world<sup>(Abootalebi, 1999, p.4.)</sup> and that there are more Muslims in India than there are in Pakistan and this confuses the issue of loyalties even further. The alliances and allegiances in the area are rather bemused.  
(Abootalebi, 1999, p.7.)



There are a number of issues that arise when using the term 'Middle East'. Frequently, this is defined very broadly and is synonymous with the Arab speaking nations that effectively stretch from Morocco in the west to Afghanistan in the east. However, such classification would stretch the region beyond compatible grounds and overlooks other important factors such as history, language, culture and traditions. It also excludes Israel, a state that is surrounded by Islamic states and is geographical certainly part of the Middle Eastern region. It is this respect that the chapter will define the 'Middle East' as the geographical area extending from the Atlantic Ocean in the West to the Arabian Gulf in the East and bound by the Mediterranean, Europe and Asia in the North and the Sahara in the South. (See Beshara, 2000, p.3.) The region is predominantly Arab and the three main non-Arab states are Israel, Turkey and Iran. In order to narrow the definition somewhat, most regional and multilateral institutions refer to the region described above as the Middle East and North Africa, commonly using the acronym 'MENA'. (Foley, 1999, p.8.)

A further regional definition relates to the Gulf Co-operation Council (GCC) that includes Bahrain, Kuwait, Oman, Qatar, UAE and Saudi Arabia. Within some of these oil-rich states, there is rapid growth in imports and increases in education levels of consumers, with consequent demands for sophisticated high-quality consumer products. A number of the GCC member states, such as Saudi Arabia and the Gulf states, derive around 90 percent of government revenues from oil exports and the population have high per capita incomes, but a limited industrial, manufacturing and agricultural base. At this stage in the study of local and foreign labour in the UAE, it is important to see the relationship between economic and population growth. This relationship, both in UAE and in the Gulf area generally, will impact of the quantity of foreign workers needed in the whole of the Gulf area, remembering that all the GCC countries will be in competition for cheap foreign labour.

The economic performance of both oil and non-oil producers in the 'Middle East' has been unimpressive in recent years. Though the region as a whole enjoyed relatively high levels of economic growth in comparison with the rest of the world in the late 1960s and up to the mid-1970s, recent economic performance tells a different story. The average annual growth rate of the Middle East as a whole in the 1962-1975 period was 4.91 percent well above the average world growth rate of 3.15 percent.

However, in the years between 1975-1990, when the average world growth registered a low of 0.58 percent, Middle East economies grew at (-.75) percent, the lowest in the world. (Foley, 1999, p.14.)

The economic growth of the region is even less impressive once population growth is considered. The population of the Middle East grew 2.33 percent between 1962-1975 and 3.08 percent in the 1975-1990 periods. Thus the rate of population growth for the 1962-1990 stood at 2.61 percent, higher than the economic growth that stood at 2.14 for the same period. So a partial explanation for the overall poor regional performance between 1962 and 1990 is the high rate of population growth, especially in the post 1975-period. Table 1 (below) summarises the percentage rates of the GNP and population growth for the world and selected regions, as well as the percentage difference between the two (Percentage GNP growth - Percentage population growth). Although economies all over the world experienced slower economic growth after the 1973 escalation in oil prices, the Middle East economic performance was exceptionally poor, lagging behind all other regions in the world with the possible exception of Africa. Abootalebi, <sup>(1999)</sup> has produced the following table and he points out that the percentage of Gross National Product Per Capita (GNP/PC) average annual growth for the period 1985-1995 stood at -.03, as compared to Asia's 5.05. Further more, the percentage of annual population growth for the period of 1990-1995 for the Middle East generally was 2.7 as compared to Asia's 1.6. "Thus the Middle East surpassed all other regions in the growth in its population for this period, effectively meaning that the region's meagre economic performance was even worse than the negative growth of -.03". Population growth data is crucial to assess the need for foreign labour in the longer term. Table 1 below, outlines the present position.

**Table 1                      Comparison of Economic Performance of Six Regions (1962-1990)**  
(Abootalebi, 1999, p.9)

	% GNP Growth	% Pop. Growth	% Pop. Growth
World	1.8	1.63	.17
East/Pacific	4.04	1.70	2.34
Developed	2.85	.55	2.03
Western Hemisphere	1.13	1.49	-.36
Asia	1.89	2.46	-.57
Africa	.80	2.19	-1.39
Middle East	2.14	2.61	-.47

Abootalebi is scathing about the lackadaisical attitude of the governments of the region.

“Although external forces have played a big role in exacerbating conflicts and instability, stagnant regional regimes bear the burden of responsibility for the Middle East’s dismal economic performance. Governments in the Region, regardless of their size, are faced with a tremendous challenge either make the necessary political and economic adjustments in order to compete, or continue with the status quo and be undermined by growing markets in East Asia, Latin America and Europe.”

(The ‘dismal rates of economic growth’ argument was recently highlighted by Sicre and Theochardides, 2002, who contend that the growth rates “are only slightly better than those of sub-Saharan Africa”, {p.10}).

So, there is no room for complacency when planning the economic future of the UAE and with this in mind, the cause of economic growth will not be advanced in any way by cut backs in cheap foreign labour.

Arms sales provide a good illustration of budget surpluses and external forces generating political instability and intra-regional conflicts (as we shall see below). In the 1990-91 fiscal year, countries of the region, including Israel, imported more than \$24 billion worth of arms from the United States alone. This figure did not include

the \$800.8 million spent in military construction sales to the Middle East Arm sales to both Iran and Iraq during the 1980s, and Saudi Arabia's commitment after the Gulf War to purchase \$20 billion worth of arms points to the significance of the external influence for arms sales to the region. Military expenditure as a percentage of GDP for selected countries can be shown thus:

**Table 2        Military expenditure as a percentage of GDP - 1995**  
(Foley, 1999, p.9)

Country	% of GDP		Country	% of GDP
Iran	3.9		Iraq	14.8
Saudi Arabia	10.6		Kuwait	11.8
Bahrain	5.2		Qatar	4.4
UAE	4.8		Oman	15.1

The figures relate to 1995, but the data given for Iraq and Iran in 2005 will have changed considerably. These are significant levels of expenditure; given the low population in many of these countries. The UAE has emerged as one of the largest markets in the world for U.S. arms: Abu Dhabi purchased \$360 million of U.S. arms between 1992-1994 alone. (Foley, 1999) It is estimated that the UAE will spend \$16 billion in the year 2000, and this is estimated to be 10 percent of UAE's total estimated oil income for the period. (Foley, 1999) The problem is, according to Foley, that the UAE maintains weapons system from a dozen countries "... and pointlessly increases costs by creating diseconomies of scale." After all this expenditure, Foley argues, heavy reliance on the USA for defence will be essential; "The USA is the only country likely to be able to meet the Federation's security needs now and for the foreseeable future." It is interesting that the UAE maintains 64,500 military personnel, according to Foley, and one-third of these personnel are expatriates. Military expenditure is just one example where wastage expenditure at national level leads to fiscal instability and acts as a deterrent against the attraction of Foreign Direct Investment.

Governments in the region will need to become effective and efficient in the management of their economies and societies or face stronger opposition from their population which will exacerbate the political instability in the region further. This will deter foreign investment, further weakening the economic status of the region and undermining its competitive position in the global economy. Saudi Arabia currently faces such social and economic instability. In the words of Dr Mohammed Khalfan bin Kharbash, UAE Minister of State for Financial and Industrial Affairs, "FDI is more critical to economic growth and stability in the Middle East than ever

before”, and he called for increased regional effort to increase FDI inflows and offset the region’s historical failure to promote the Arab world as an attractive destination for global investments. (Quoted in *Khaleej Times Business*, 5 May 2003, p.31.) The reason for the instability in the Gulf economies is not too difficult to perceive. The following two points identify the principal causes of the instability and the increasing need for FDI to diversify the economies of the Gulf away from relying heavily on oil revenues and the influence those external forces has on the realisation that privatisation, diversification, liberalisation and localisation are all essential in terms of the management of the economies:

1. World oil demand will average 79.33 million barrels a day in 2004 – up from 1.16 million barrels a day in 2003.
2. Production by Russia and other non-Opec member countries will outstrip demand, rising by 1.25 million barrels a day in 2004.

This leaves the OPEC producers with little room for expansion in production. To do so would risk the stability of oil prices. (Data provided by *Gulf News Business*, 20 September 2003, p.50.)

Finally, for our present purposes, there is the United Arab Emirates (UAE, the so-called Trucial States). The federation was formed in 1971 and only adopted a permanent constitution in 1996. Throughout the 1400 years of the Islamic era, the tribal government has retained its character despite the invasion and domination of many outsiders who brought quite different cultures to the area, but which made very little impact. For example, unlike British colonialism, despite 150 years of Portuguese rule, all that remains are just a few derelict forts. (See Heard-Bey, 1982) For much of the 19th and 20th centuries, Britain administered the territories as protectorates and withdrew from the area in 1971. It was assumed by many that the UAE would then include the Trucial Coast as well as Qatar and Bahrain, but these latter two refused to join and became independent states. Unlike any other Middle Eastern state, the United Arab Emirates is a federation of seven tribally based emirates that control the south-eastern portion of the Arabian -peninsula south of Bahrain and Qatar. The Federation is composed of Abu Dhabi, Dubai, Sharjah, Ras al Khaimah, Fujairah, Umm al-Qaiwan and Ajman. Within the UAE, there are six principal tribes spread throughout the Federation: the Bani Yas, the Manasir, Qasimi, the Al Ali, the

Sharqiyin and the Nu'aim. The UAE is strategically important because it produces 10 percent of the world's oil and it also has the world's fourth largest natural gas reserves. However, gas production does give us an example of commercial cooperation between two neighbouring GCC members. UAE has entered into an agreement with Qatar to construct a pipeline that will bring Qatari gas to Abu Dhabi in the 'Dolphin Project'. (Katzman, 2005, p. 6.)

The largest and wealthiest of the 'emirates', Abu Dhabi, covers 87 percent of UAE's total area and accounts for 90 percent of the Federation's oil and gas production and 60 percent of the UAE's GDP. Dubai, because of rapidly diminishing oil and gas reserves, has worked to diversify quickly and become the region's commercial and transportation centre. Sharjah, too, has oil and gas deposits but it has focused on light manufacturing and port facilities. The rest of the emirates - Ajman, Fujairah, Ras al-Khaimah and Umm al-Qaiwan (collectively known as the 'northern emirates') are considerably poorer than the other UAE emirates, and together accounted for only 6.6 percent of the UAE's GDP in 1996. Although there is no data published, a well placed key informant reveals that Abu Dhabi will underwrite any fiscal difficulties which the 'Northern Emirates' will encounter. (Key informant primary research interview).

Almost all of the UAE's 2.4 million population (citizens and those with Residence Visas) live in communities in a total of 83,600 square kilometres that straddle its 650 kilometres Arabian Gulf coastline. It is bordered by the Arabian Gulf and Iran to the North, Oman to the east and on the south and west by Saudi Arabia. Most of the federation is arid desert and salt flats, but there are mountains in the northeast that rise to 1,200 meters. Rainfall is rare and there are few fertile areas except in the north and among the oases. Abu Dhabi, Dubai and Sharjah collectively govern 85 percent of the population. Close to 80 percent of the population comprises expatriate nationals and nearly 66 percent of the population is male. South Asians, mainly from the Indian Sub-continent, represent 45 percent of the population. The next three largest expatriate ethnic groups are Iranians (17 percent), Arabs from other parts of the Middle East (13 percent) and westerners (5 percent). Virtually all of the Federation's Iranians and Shiites (16 percent) live in Dubai. (Foley, 1999, p.3.)

This chapter continues by relating to the world economic development and its impact on the Islamic/Arabic states in the Gulf area. This involves 'globalisation' and 'integration'. Economic integration is dependent on a climate of loyalty, trust, respect and a common history, culture, tradition and religion. For the Arab nation, guided by the dictates of the Holy Koran, this ideal should be fairly easily accomplished. But, alas, there are many threats to the stability of the area, and stability and convergence within the GCC area remain a major prerequisite to the establishment of a single currency and competing successfully in the new age of globalisation. As we shall see below, there are many unstable and unsustainable alliances within this area.

#### **4. Regional Instability**

The UAE maintains armed forces of 64,500 personnel, nearly one-third of whom are foreigners. There are 599,439 males fit for the military within the federation's border and 21,250 more reach military age annually. But only small proportions of these men are citizens of the UAE and could be drafted into military service. In addition, Abu Dhabi provides 80 percent of the UAE's total military manpower and its defence budget. <sup>(Foley, 1999, p.3.)</sup> Since the first Gulf War the Jebel Ali Port in Dubai has become crucial to the U.S. presence in the area because it is the safest leave port in the region and the only harbour in the Gulf deep enough to berth an aircraft carrier. Fujairah, which faces the Indian Ocean and is connected to the Gulf Coast by a modern road, would be critical to American operations were the Straights of Hormuz cut off for any reason. In addition, U.S. warplanes flew out of UAE air bases on 'Operation Southern Watch' over Iraq.

Procurement for the UAE military also provides an example of inter-emirate disharmony and a lack of standardisation. Individual emirates are responsible for purchasing their own weapons systems without consulting the Federal government. Dubai's Lion tanks, for example, are not compatible with Abu Dhabi's Declerck tanks; nor does Abu Dhabi's air defence system protect Dubai. On the larger scale, the Federation's armed forces' equipment is not compatible with its allies. Saudi Arabia and Oman, for instance, operate the Bradley and the Chieftain tank respectively, which have completely different configurations than those of the UAE tanks. With all this fragmentation, there is a real danger that the UAE could actually impede its allies'

military operations. <sup>(Foley, 1999, p.3.)</sup> According to Foley, the UAE's air force, the elite of the military forces, has three missions; to control UAE airspace, to protect the federation's economic and military facilities if it is attacked by Iran, and destroy Iran's strategic assets, notably around Tehran. <sup>((Foley, 1999, p.3.)</sup> These are, according to Foley, 'unrealistic missions' and he gives the example of the federation's most advanced aircraft (the Mirage 2000E), having only half the range for the round trip to Tehran and return. Neither does UAE have the technology to provide in-flight refuelling.

So the paradox exists; Iraq attacked one of the GCCs constituent states and UAE supported the war against it, but subsequently UAE looks to bolster the military strength of Iraq to act as a counterforce against a further enemy, that of Iran which is blatantly occupying UAE territory. It can therefore be seen that the region's political, economic and military systems are fragmented and lack the integration required for convergence into the GCC economic and defence system. In addition to Iran, the UAE has unfriendly relations with the other two states in the region, Muslim Turkey and Jewish Israel – both of which look to join the European Union rather than any Middle East alliance. The UAE signed a defence pact with France in 1995, Britain in 1996 and Turkey in 1997. <sup>(Foley 1999.)</sup>

We turn now to examine further some of the conflicts, disputes and alliances within the region and these should be seen against the context of economic integration and competitive globalisation.

## **5. Economic Integration and Competitiveness**

The Middle East dominates world energy exports and by the year 2020 it is estimated to provide 60 percent of the estimated world total of 66 MBD. <sup>(Cordesman, 1999, p.1)</sup> There are no similar estimates for gas exports but it is likely that an analogous position will prevail. The world is so dependent on oil and oil products (The U.S. imports half of its oil supplies from the Gulf area and Japan even more) and, conversely, the oil producing states are very loath to voluntarily restrict the production of energy exports as these currently provide the stimulus for economic development. This in turn requires much more privatisation and foreign investment. This won't come about unless there is considerable political and economic stability in the region.



The Southern Gulf States are relatively stable, but serious tensions existed between Bahrain and Qatar (now thought to be resolved), there was civil violence in Bahrain (which, as a result is now moving towards a 'democracy', but the tensions are deep-rooted giving rise to a volatile situation), and Saudi and Yemen continue to clash along a common border. While Iran may be becoming somewhat more moderate, there is still a risk of serious clashes between 'moderates' and 'fundamentalists' and it remains a major problem in terms of proliferation and hostility to the U.S. in the Gulf. Insurgency in Iraq remains a serious threat, not only to Kuwait and Saudi Arabia, but also to most other states in the Gulf region. Saudi Arabia is constantly under extreme threats by the so-called Muslem Fundamentalists (this term has lost all of its original meaning). Currently, the UAE has territorial disputes with three of its immediate neighbours: Iran, Oman and Qatar and in the past it has clashed with Saudi Arabia as well.

The most serious of these conflicts, however, is the protracted dispute with Iran over three Gulf Islands in the Straights of Hormuz: Abu Musa and the Greater and Lesser Tunbs. This has been festering since 1992 and it embitters UAE's relationship with its neighbour Iran. Abu Musa has a population of about 600 people and the Greater Tunbs inhabited with about 350. The Lesser Tunbs is uninhabited. This gives rise to a paradox in international relations. UAE is threatened by Iran, which can harass Gulf shipping or even attack UAE cities, but the U.S. has a massive military presence in the area largely to deter Iraq from aggression. Therefore and here is the paradox, Abu Dhabi looks to a strong Iraq to provide a military counter-balance in the area to the military might Iran and, indeed, Iraq is a major trading partner of UAE. It is for this reason that UAE looks to the USA covertly, if not overtly, for its defence, as it will not have the capability to defend itself against its hostile neighbours to the north. Nonetheless, H.H. Sheikh Zayed, looks to settle the dispute with Iran amicably and through the teachings of the Holy Koran – diplomatically and by negotiation through the U.N. His overtures are being ignored.

The islands dispute has also caused friction within the UAE. Ras al-Khaimah and Sharjah advocate tough measures against Iran. Dubai, on the other hand, believes that the whole conflict is unnecessary and does not want to do anything that would

jeopardise its profitable trade and close cultural links with Tehran. Iran's is currently Dubai's largest re-export market accounting for between 20-30 percent of Dubai's trade and it provides access to markets in Afghanistan and Central Asia. But the U.S. is the major defender of the region and without its military might, the countries of the region would not be able to resist the aggression of either Iran or Iraq, and this includes Saudi Arabia. The UAE's President is using his personal authority to forge a consensus in support of adopting a 'peaceful' approach to pressure Iran to hand-over control of the islands. Every Arab state is on record as supporting the immediate "restoration" of the UAE's sovereignty over Abu Musa and the Tunbs.

In contrast to the federation's dispute with Iran over the islands, the UAE has been able to address its territorial problems with Saudi Arabia and Oman by direct negotiation and skilful use of the UAE's oil wealth. Saudi Arabia is the UAE's most important neighbour, and relations between them have been close for many years. Sheikh Zayed supports the GCC as well as Saudi's pro-Western policies. Saudi-UAE territorial disputes were largely satisfactorily resolved when Sheikh Zayed ceded Zarrarah oil field to Riyadh in exchange for Saudi's recognition of sovereignty over the Burami Oasis in 1992. The two states, along with Britain and Oman, fought a brief war over the territory in the 1950s.

The UAE's territorial dispute with Oman is a different matter. Sheikh Zayed built a close rapport with Sultan Qabos, to whom the UAE President has given substantial subsidies as well as military and political assistance. This relationship has helped the President resolve two serious border clashes in 1978 and 1992. Today, citizens travel between the two countries and Oman and UAE conduct joint military exercises. Nevertheless, the border is still not delineated and is a potential flash point for future conflict. The U.S. has a considerable presence in Oman and joint military exercises are a common feature of their relationship.

The strained relations between Qatar and the UAE have eased somewhat since a delegation of UAE officials went to Doha in 1998 and reportedly "succeeded in eliminating the misunderstandings between Abu Dhabi and Doha". (Foley 1999, p.8.)

In recent years, the U.S.-UAE relations have deteriorated because the UAE objected to Washington's policy of containing Iraq and supporting Israel. <sup>(Foley 1999, p.8)</sup> Senior UAE officials, including Vice President Maktum, argued before the second Gulf War that Iraq has "fulfilled most of its obligations to the international community" and that a "militarily strong and united Iraq" is needed to balance Iranian power. <sup>(Foley 1999, p.7.)</sup> Sheikh Zayed had said that the sanctions against Iraq are unjust and that Iraq does not threaten its neighbours. The UAE press, which usually takes the Government's lead on matters of foreign policy, contends that the UN weapons inspectors were American 'stooges' and that Washington wants to 'blackmail' the Arab states into exhausting their resources so that Israel can establish hegemony in the Middle East. The pro-Iraqi feelings are so strong in the UAE that at the 1997 GCC's conference, the President reportedly pushed for breaking ties with the U.S. over its policy in Iraq. <sup>(Foley 1999, p.8.)</sup> The UAE now provides millions of dollars in food and medical aid to Iraq and in February 1999, Sheikh Zayed sent a high-level trade delegation to Baghdad. Before the US invasion of Iraq, the UAE permitted traders to violate UN sanctions against Iraq. <sup>(Foley 1999, p.8)</sup> Following the Second Gulf War, all Arab states view the U.S. as hostile and as an imperialist power. However, for defensive reasons, the U.S. military might is still welcomed in the area.

Shafik <sup>(1994)</sup> portrays this disunity in a rather graphic manner, looking at the relationship between economic integration and labour mobility. Notwithstanding the common heritage, culture, language of the people of the area, even within the GCC group of countries, she reasons:

"In terms of trade and capital flows, the Middle East is one of the least economically integrated regions in the world. The major exception is labour mobility, where intra-regional migration flows are extensive. The explanation for this pattern lies in the extreme differences in factor endowments across the region and development policies adopted by both labour-importing and exporting countries. Because the obstacles to trade in goods have been greater than the obstacles to migration, labour mobility and its associated capital flows have been the most important mechanism through which the benefits of the oil windfall have been spread to the poorer states of the region." <sup>(Shafik, 1994a, pp.37-56.)</sup>

*(Nemat Shafik is the World Bank's spokeswoman on private sector development. It is interesting that she is an Egyptian national and was the youngest female to hold the position of a Vice President of the World Bank.)*

We shall see the impact of labour mobility and the resulting exporting of capital in the ensuing chapters, but the point that Shafik makes here is that one of the few ways the Third World countries benefit from the Gulf 'oil boom' is not through direct trade as such, but through the labour 'sending their wages home'. Shafik's published title asks the question 'Integration by migration?', but an alternative title could be 'Integration by *symbolic interactionism*'. That is that the very interactive process *per se* of providing work for citizens of the impoverished and undeveloped countries which provides indirect financial support for these countries with the circulating capital that is sent 'home', but this 'support' is more symbolic than intentional.

The challenges facing the UAE as it tries to balance the great powers and ensure its security in the future will be ones of geographical scale and military capability. Although some states and international organisations may be able to check the military might of the U.S., Iraq or Iran, none can realistically guarantee the UAE's security or prevent unilateral military action by Tehran or Washington. Currently, the United States is, and will most likely remain, the only country with the ability to meet the federation's security needs in the foreseeable future. Ironically, the United States is adamant that it is the champion of 'democracy', and the UAE is far from being 'democratic'. It is a tribal society ruled by tribal families, although if elections were to be held, it is manifest that H.H.Sheikh Khalifa would be elected President. Nonetheless, the evidence from the key informants suggests that unlike Bahrain, the citizens of UAE would almost universally wish for the status quo to continue.

The attempts at Pan-Arabic nationalism in the region can be traced back to 1945 when the Arab League was founded. The vision then was to consolidate the cultural and historic ties that bind the Arab nations together and enhance co-ordination and co-operation. It also called for sovereignty and independence of member states. It was supposed to promote co-operation in economic and financial affairs, communications, cultural affairs and health issues.<sup>(Beshara, 2000, p.10.)</sup> By 1950, the Arab League member states signed a 'joint defence and economic treaty' providing for collective security measures including a Joint Defence Council and Permanent Military Commission. Today, the Arab League is an umbrella organisation for seventeen specialised agencies dealing with various functions. There are also fifteen permanent committees dealing with issues such as human rights and women, among other things.

Nonetheless, indicative of its lack of prominence and influence is its size having around 400 employees in the Cairo headquarters. This compares to over 20,000 employees in the European Union Headquarters in Brussels. (Beshara, 2000, p.10.)

There is only one notable achievement as a regional organisation to the League's credit. That was the establishment and maintenance of the Arab Boycott Office and it promoted the cause of Palestinian refugees. However, it never succeeded in organising any effective collective defence or deterrent against Israel nor a negotiated solution to the protracted conflict. The boycott of Israel is now history. Basically it was led by Saudi Arabia and was maintained until 13 December 2005. This historic day was when Saudi acceded as a full member of the WTO (Western dominated), and as a full member, Saudi had undertaken not to impede the trading of any fellow members. Of course, Israel and all the GCC countries are members of the WTO and, as such, this renders the boycott of Israel no longer effective and unlawful.

The period from 1979 to 1988 witnessed complete regional fragmentation. Three sub-regional organisations emerged: the Arab Co-operation Council (including Egypt, Iraq, Jordan and Yemen); the Union du Maghreb Arabe (UMA, formed of Algeria, Libya, Mauritania, Morocco and Tunisia); and the Gulf Co-operation Council (Bahrain, Kuwait, Oman, Qatar, UAE and Saudi Arabia). The fifteen Arab countries that were divided among these three different sub-organisations represented two-thirds of all the Arab population, hosted the highest numbers of universities and research centres, controlled 90 percent of traditional energy resources and 75 percent of water and agriculture resources. At the first policy challenge, Iraq's invasion of Kuwait, the Gulf Co-operation Council seemed like the only organisation to keep its members unified, but it still could not prevent one of its founding members from being invaded by another Arab state.

Since the creation of the Arab League, economic integration had been on the regional agenda. In 1953, Arab countries signed a multilateral trade agreement, which exempted Arab agricultural products from tariff barriers and reduced tariffs on some industrial goods. The Arab Economic Unity Agreement signed in 1956 sought full economic union among Egypt, Iraq, Jordan, Kuwait and Syria. The same countries, with the exception of Kuwait in 1964, formed the Arab Common Market that sought

the gradual elimination of tariff and non-tariff barriers over a ten-year period. The rise of regional economic institutions was linked to the oil boom, but most of these just provided balance of payments support or concessional financing for projects. "Economic integration increasingly came to mean transfers from rich to poor states, rather than the more solid ties of genuine economic interdependence." These were more in the nature of political alliances than true market integration.

## 6. The Desire for Integration

**The following points need to be fully understood when considering economic integration in the region:**

- There was a purely political agenda that had its origins in Arab nationalism, as an economically integrated Arab world would provide the region with critical support for sustained and meaningful political integration.
- The second motive was more economic and stemmed from the view that the complementarity of endowments across the region could be the basis for enhanced development.
- "The high-income oil exporters are capital rich, but poor in labour and productive land. Countries like the Sudan, Egypt, Syria and Morocco had substantial agricultural potential and low-waged labour, but they lacked capital resources. Lebanon and Jordan had surpluses of skilled labour. The more diversified the economies, such as Algeria and Iraq, could benefit from imports of labour and capital from abroad. Moreover, regional integration would enable all countries to take advantage of economies of scale in production, distribution and resource use." (Shafik, 1994b, p.181.)

Once again, there are huge gaps between the perceived and the actual. The above quote by Shafik seems feasible and supports the Islamic traditions of international cooperation and collaboration. (See Zinelin, 1998, quoted p.6 above). Reciprocity is a very high ideal, but in reality "The economic concerns of the major oil-producing states are nowhere as acute as those of the have-nots states." (Noble, 1999, p.81.) More recently, however, as we shall see, fears of being left out of the three major trading areas (led by the United States, Europe and Japan) have provided a stimulus to renew attempts at regional trading arrangements on a global scale. The United States particularly is a

major player in international financial institutions dealing with developing countries aid and debt. Bilaterally, it is still the largest supplier of economic and military aid to the area and "The twin pillars of American policy since the first Gulf War have been the doctrine of dual containment of Iran and Iraq and support for the Arab-Israeli peace process. (Hubbell, 1998, p.9.)

Economic integration is inevitable, whether regionally or globally, in order to achieve greater mutual benefits. It is all a matter of preparedness, i.e. how ready are the 22 countries of the Arab League to handle the repercussions of integration? According to Sirageldin, (Sirageldin, 1998) a review of recent studies indicated that initial losses or insignificant gains would occur from integration into the world economy. This is attributed to the states of the region lacking the development needed for highly competitive global competitiveness. The prescription is to develop an 'internal-oriented sustainable reform' that would include the fundamental elements essential for any outward-oriented reforms'. (Sirageldin, 1998)

According to Bessaria, these 'elements' are:

- The development of human resources
- Equality of opportunities
- Transparency in government
- Strong local demand
- Sustainable environment

This is to be achieved through the following policy measures:

- Institutional reforms - should be a priority in terms of bureaucracy, quality, decentralisation, transparency, rule of law and autonomy in decision-making.
- Credible and consistent economic reforms - are indispensable to achieve macro-economic stabilisation along with economic diversification to promote non-oil exports.

- Education and training - this ought to be tailored to the needs of the economy in order that vocational skills match the market requirements and therefore reduce unemployment.
- Ensuring social safety nets and targeted interventions - (such as small enterprise development) in order to mitigate social problems.
- Indigenous content - for the Internet and satellite TV would promote more analysis and connectivity.
- Co-ordinating regional policies - in particular in the areas of natural resources management, technology, trade and security to achieve greater sustainability.

This is the recipe for successful economic and fiscal integration in the GCC and it can also be applied to the issue of the development of human resources. If one takes this to mean foreign and local labour, the evidence overwhelmingly suggests that it is not happening and, this study has revealed, that over 90 percent of the labour force do not get any development opportunities at all.

The Middle East region will continue to miss out on the benefits of globalisation until or unless the identified challenges are effectively tackled.<sup>(Beshara, 2000, p.15.)</sup>

Globalisation and economic integration among countries, involving the formation of free trade areas, customs unions, common markets, single currencies or full economic unions, has become a fact for most developed or western countries. European Union (EU) as well as other positive forms of economic integration has successfully been achieved in Latin America, the Pacific area via Trade Agreement (PTA), and in the NAFTA. These set a model for emulation by the Arab world that is under threat from the global market economy.

The Arab states urgently need to create mutual trust and commitment and learn from other alliances of the benefits of commercial co-operation. The biggest test for Arab countries is to demonstrate that they are flexible enough to adopt the idea of an Arabic Common Market and treat it as a matter of urgent strategic importance. The idea is not new and at least half a century old, but the willingness needs to be engendered. Talk about one country dominating others (viz; Colonel Muammar Gaddafi in Libya) should be jettisoned and countries should negotiate a 'win-win' situation for all. There is no substitute for mutual trust and commitment to achieve



full economic integration. Without such trust, commitment and inter-dependence, economic co-operation will be doomed along with the Arab Common Market. Success will provide economic opportunities for all participants and it will also serve to reduce the dependence on foreign nations, particularly in the west, for most of its consumer and industrial products. Today, most of Arab nations are buying goods and services from Europe, Asia and the United States. It has become of some urgency for the region to move beyond the current position where inter-Arab trade presents only 8 percent of the Arab world's total trade.<sup>(Zineldin 1998, p.12.)</sup> A free trade agreement or Arab Common Market will naturally speed up the process of industrialisation and substantially increase the per capita wealth of all Arab countries, and not just the one's who are among the oil-rich. Such economic co-operation will increase market size of any Arab country and naturally create the factors necessary for Arab nations to become producers and exporters, rather than just importers and consumers. It will also provide added advantage for Arab nations to become equal partners in the process of globalisation with the knock-on effects of reducing tensions in the region and rationalising the use of cheap foreign labour.

Arabic unity or at least an Arab Common Market is not an impossible objective, nor is it wishful thinking. It must be a legitimate demand of all Arab states in the region and by viewing the whole as greater than the sum of the parts, it could become a tangible reality. As Zineldin graphically notes; "There is no longer a place in the world that is isolated and is basking in the warmth of isolation."<sup>((Zineldin 1998, p.12.)</sup> This will involve free movement of goods services and labour, but remember that this will be facilitated here by integrating peoples of similar background, religion, language and culture who will become mutually supportive.

Without co-operation and integration between Arab countries, it will be difficult for them to face the new economic order. If such co-operation is to survive, it will be necessary to identify the 'driving forces' and strengthen them and also locate the 'constraining forces' and remove them (a force-field analysis). In addition, a SWOT analysis will identify the strengths, weaknesses, opportunities and threats that will form the basis of a realistic development plan. Whatever the position is in the long term on integration, there exist now in the Free trade Area, a provision of cross-border migration. No visas are required by a national of one GCC countries to enter,

or work, in any other states of the GCC. This has implications for the labour force for in UAE as, being one of the more prosperous of the GCC states; it produces more work, less unemployment and a higher standard of living.

We leave Chapter 4 in the knowledge that behind the façade of wealth and stability in UAE, there are significant social and economic problems. Wealth is not divided evenly among the people of the federation and per capital income is about half of what it was in 1980. (Zineldin 1998, p.13). Indeed, today's newspaper reported the implementation of emergency de-salination measures. (Foley, 1999, p.12.) The scarcity of water supplies remains an acute problem, and the population is growing rapidly. The UAE estimates that it will double to 4 million by 2010. The World Bank's projection of a 32 percent increase is lower than the UAE's prediction, but with a 35 percent of the current population under the age of 15, this still represents a major demographic shift. However, the principal problem is one of cultural and attitudinal change. There is a need for the UAE to diversify its economy, but there are profound difficulties here over and above those inherent in the task of diversification. For example, remembering the over-riding policy of 'Emitirisation', it is unlikely that the introduction of a viable manufacturing sector would be realistic. The 'locals refuse to work in factories', (Khaleeg Times, 2000.) and the only solution to this problem if manufacturing were to be expanded, is to increase the numbers of ex-patriots, which manifestly is diametrically opposed to the 'localisation' vision. The construction industry is growing by leaps and bounds and in July 2005 the industry employed 500,000 workers (up from 250,000 in 1996) (Gulf News, 29 July 2005, p 58.) But very few of those half million will be locals and the industry relies almost totally on the contribution made to the workforce by foreign labour. The same can be said of the service industries, which is grossly under-represented in the number of 'locals' employed.

In the next chapter, we will explore the attitude of local people in relation to the process of integration, localisation/nationalisation (the process of displacing expatriate staff with nationals) and globalisation. This present chapter has been about three major themes. Firstly, local people are caught up in the process of change and movements which they clearly, based on the empirical research, don't fully understand. We have seen here the background and context of the UAE development

and the need for a labour force many more times larger than the indigenous population will supply, and therefore the need to employ vast numbers of foreign workers. We have also seen that for the locals change has an emotional impact. Many of the key informants have stated that "...they want to live as their fathers lived before them", but this avoids the confrontation with reality. Most of the men who were the subjects of the interviews – the informants – were senior managers and therefore in their 40's and 50's. One can therefore estimate that they would have been likely born in the early 1960's, before the UAE became a state and before the oil boom and influx of foreign workers. Indeed, when they were born there was a net outflow of population and times were very hard, in fishing, pearl diving, trading and agriculture. This generation has experienced the proclamation of the state, and the oil boom starting in 1973, and it is at this time when there was a world wide demand for oil and the UAE were there to respond to that demand and reap the benefits of the oil revenues. But the situation has changed since the early 1970s and the pace of change has been very rapid. New organisations have emerged like the WTO, ILO, and GCC over which the locals (informants) have had little control and, in trading which has been taking place on a small scale for centuries, a concept has emerged called 'globalisation' which has effectively engulfed every nation. The locals have not yet adjusted to the view that a new economic order is upon them, whether they like it or not. It is an emotional experience and as such, qualitative research methods were employed for this study, to get into their thoughts, their hopes and their fears.

The second major theme of this chapter is that the locals claim that they want the *status quo* to remain in terms of socio-cultural positioning. The locals want to remain in public sector jobs; they want to be 'autocratic managers' and they want to reduce the numbers of foreign workers. They don't want to work in the private sector and they don't want to do manual work like construction or manufacturing. But when one examines all these points, logic dictates that they are incompatible with reality. The public sector is diminishing, autocratic management is contrary to the teachings of the Holy Koran and what is considered good practice in the West and Japan, the 'embargo' on staff development and performance appraisals for foreign workers, is detrimental to increased performance standards. The locals cannot possibly experience the standard of living that they are accustomed to, without the 93 percent of foreign workers which make up the labour force. The construction industry

increased by a massive 16 percent in 2004, (*Gulf Business News*, 29 July 2005, p.58) where would this labour come from, if not foreign labour? Then there is the irony, the locals want the *status quo* to remain, but without the large contingent of cheap foreign labour. To the author, this is a contradiction in terms. The chapter also makes the point that now there exists a 'free trade area'; citizens of any country in the GCC are free to take up employment without visas in any other country of the GCC.

The third theme covered in this chapter is regarding segmentation and links with the next chapter. That is the topic of job segmentation. Privatisation involves downsizing the workforce (Batelco, the Bahrain Telecommunications Company, lost a third of its locals when it deregulated). Therefore fewer jobs in the public sector! At the moment, locals seek jobs (and there is positive discrimination supporting their position) in the public sector and foreign workers provide the labour for the private sector. Unemployment among locals is increasing, not because there are no jobs available, but because the public sector is diminishing from being highly overmanned to preparation for privatisation and greater efficiency. So the choice for many locals is retirement, unemployment or the private sector, the younger element usually choose unemployment. This requires a complete change of attitudes, values and culture.

## **CHAPTER 5**

### **ECONOMIC ENTERPRISE AND EXPERTISE: DEVELOPMENT OF LOCAL LABOUR**

## 1. Introduction and Context

Chapter 4 provided the context for the study by highlighting the mosaic of nation states and describing a macro-social/economic focus of the GCC area and the various nations' past reliance on oil to balance budgets and improve the standard of living for their nationals. It also encapsulated the lethargy of locals to relocate in the private sector and the precarious position of the Middle East as a potentially unified trading entity. This chapter specifically will look at the composition of the labour force and it adopts the view that because the primary responsibility of any government is to look after first and foremost its own nationals, the highly commendable practice of legislating towards a national workforce ('localisation' or 'nationalisation') needs careful planning. But, in turn, this creates 'the employment paradox' whereby there are major incentives to keep the labour force segregated for the foreseeable future with locals occupying managerial positions in the public sectors and foreign workers occupying the majority of the lowly positions in the private sector. The Chapter researches the paradox and contends that before any net progress can be made in the move towards 'localisation', it needs to be pre-empted by a top-down inspired cultural and attitudinal change, what General Sheikh Mohamed bin Rashid Al Maktoum, Crown Prince of UAE refers to "a change in the mindset". In his address designed to alert the Arab World to the intense global competition for attracting Foreign Direct Investment (FDI), Sheikh Mohamed protested;

"Why are global fund flows ignoring Arab nations? What do we have to do to improve our economic growth and prosperity? The Arab World has a population of over 300 million. It is one of the most resource rich areas with human capital, natural resources and tourism potential. Why, in spite of all this, the 22 countries have a gross domestic of only \$700 billion, which is less than that of Germany? Why have the Arab States attracted less than 1 percent of the \$735 billion of FDI in 2001?"

(General Sheikh Mohamed Bin Rashid Al Maktoum, 2003, p.1.)

This quotation from the Deputy President of UAE provides the context for this chapter that focuses on the emotional and pragmatic responses to rapid change in a traditional society that is unused to change.

Sheikh Mohamed's address was the keynote speech to an international conference convened for the express purpose to attract FDI to the Arab states and he spoke in his capacity of President of the Dubai Development and Investment Authority (DDIA). To a great extent, Sheikh Mohamed is 'preaching to the converted' in Dubai which is attracting billions of dollars of FDI in development funding. But elsewhere in the GCC area, change in this direction is more lethargic. In Saudi Arabia, for example, the outflows of capital far exceeded the inflows of FDI and hitherto the Administration positively discouraged tourism and foreign business. The present position is that the world's largest oil producer has announced a budget for 2003 of 209 billion riyals and a deficit of 39 billion riyals; a deficit of approximately 19 percent. The significant features here are two-fold:

- i. The price of oil over the last two years has reached record levels and well exceeds the 'breakeven' point of around \$16 to \$17 per barrel. (BBC News, May 2003)
- ii. In twenty of the past 21 years, Saudi oil income has been insufficient to prevent a budget deficit – the exception was the year 2000. ([www.gasandoil.com](http://www.gasandoil.com) 2003, p.1.)
- iii. On each occasion the shortfall has been considerable – between 10 and 25 percent. In the financial year 2002, spending exceeded the budget by 11 percent that was an improvement of 19 percent deficit in the previous year. The deficit in 2002 was smaller than had first been anticipated due to the exceptional high price of oil. (BBC News, 2003, p.1.)

Now the position has changed and the country with the world's largest proven oil deposits is looking to attract FDI in order to meet the challenges of globalisation and budget deficits. Recently, Saudi's Arabia top investment authority, Saudi Arabian General Investment Authority (SAGIA), urged the Gulf States to attract more private direct investment instead of relying on the unstable oil revenues. SAGIA's Governor, Prince Abdullah bin Faisal bin Turki, suggested:

"The Arab region sits and waits for oil revenues to rise ... direct investment is the only solution and we must concentrate on creating a more appropriate investment environment." (Prince Abdullah Bin Faisal Bin Turki, May 2003, p.33)

These issues relating to the production of oil and the oil revenues to support the economy stand in testimony to the hopelessness of relying too much on an oil-based economy. It demonstrates the reason for all GCC governments to adopt policies which are proactive in that switch the focus from oil revenues to the sectors of manufacturing, construction, finance and banking, sport and leisure, etc. This is the policies of privatisation, so foreign investors will be attracted to what was public sector companies, and then diversification, which will encourage overseas investors to provide venture capital to broaden the economy away from being reliant on a single product. These developments will only be successful if there is an adequate labour force to rely on and, as we shall see in greater depth, the locals will not switch from the public sector to the private sector, so the workforce to maintain these new developments will have to be provided by foreign labour. There really is no choice but to attract more foreign workers to UAE! Then why does the UAE government (together with their GCC partners) advocate a radical reduction of the foreign labour force at a time when the economy is really 'overcoming the economic drag and taking off into sustained growth'? The answer is provided by one of the key informants who is extremely close to government:

"The foreign workers currently make up 93 percent of the population of UAE. That means that out of every ten of the population, there are nine foreigners who are usually non-Muslims and have little affinity with the traditional Arab or Muslim culture. Their only reason for being here is that they are 'economic migrants' and they send most of their money home to support their families, which in turn weakens our economy. Meanwhile, increasingly, locals are becoming unemployed. Doesn't it make sense to change those who have an inherent commitment to developing the country, with those who are uncommitted and only here because conditions in their countries of origin are not as favourable?" (Sheikh Salem Bin Ham in interview)

The reasoning makes sense, but what is missed from the outpouring of a local seeing his country 'taken over' by foreigners, is the need to perpetuate economic growth. The impression one gains is that there is little perception that the economy needs to change its emphasis in a proactive way. The locals have, in the main for the last 35 years) known plentiful wealth from oil. But, in order for this standard of living to continue, the planners of the UAE economy must pay due regard to the external forces (in the system theory) and adapt their economy accordingly, to 'fit' with globalisation. This must be done proactively and essentially radical structural



changes will be needed in order to be competitive in a new economic order. The government has taken the first step in this transition, the next stage is for locals to appreciate that change is not only necessary, but vital. As the Crown Prince proclaimed, the locals will have to change their 'mindset', or get left behind. The employment of foreign labour is an integral part of this change, alongside the realisation by locals that they must plan their career development ahead without relying exclusively on working in the public sector and/or seeing a perpetuation of their favourable conditions that they enjoy today.

The changes, which are being advocated, are compatible with the traditional Muslim and Arab culture. The spirit of free enterprise and the free flow of goods and trade are characteristic of Muslim tradition as personified by the Holy Prophet Mohamed (Peace be unto him) and his image as an 'honest merchant'. But, however, Khalid Al-Maeena (Editor of the *Arab News*) asks; "What has happened to the overall Arab economy? And Why has it failed to keep up with the rest of the world?" (Al-maeena, 2002, p.9.) By 'failure', it is presumed, that he means that between 1990 and 1999 the per capita value of the Arab economies grew just under 1 percent while their populations increased by 4 percent. (Al-maeena, 2002, p.9 )

FDI is now happening throughout the Gulf, but private investment also involves the privatisation of state assets and a reduction of state involvement in business. Privatisation is driven by the profit motive and in turn by a programme of cost reduction. Cheap and abundant labour as the economies mature (particularly in service sector) is essential to meet this objective and it is an attractive option. Therefore, when looking holistically at the social and economic culture of the area, it is also essential for understanding to examine the segmented labour force, as it exists at the present and why the basic concept of 'localisation' will be such a difficult 'ideal' to achieve. 'Localisation' is a central theme of all GCC governments and every national that has been interviewed for this study. This and ensuing chapters will emphasise the incompatibility between *privatisation* and '*localisation*' (at least in the short to medium term). This 'incompatibility' is the essence of the working hypothesis to be found on p.29. above and to the parameters of the research for this study above (pp.91-97).

The present chapter highlights in a critical way the local economic enterprise and the need for *change*, but change here refers to its impact, in an emotional, social and human sense; the attitudes, and emotional and cultural resistance, to radical change. Although the primary research interviews revealed that change was not popular with the indigenous population, the principal driver for this emotional, cultural and attitudinal change was H.H. the President, Sheikh Zayed.

## 2. The Emotional Response to Change

We now live in a 'global' society and membership of the WTO, IMF, ILO, and the World Bank indicate that the decade following the millennium will be the decade of change as indicated by Sheikh Mohamed, Prince Abdullah and Khalid Al-Maeena above. Change here is synonymous with the adoption of Western values as promulgated by these Western dominated agencies. This position is confirmed by the Director-General of the Dubai Department of Economic Development, Mohammed Al Abbar, who stated;

“The Gulf is opening up to the global economy and is participating in globalisation. We have come a long way during the past 30 years in trade and commerce and there have been many changes during this period ... Transparency and accountability is happening in the region and we are heading towards achieving greater transparency and accountability. I fully agree with the views of the IMF and World Bank. However, these reforms will take time...”

(Mohammed Al Abbar, 2003, p.37.)

When reading the above quotation, one is minded of the quotation by HRH Prince Khalid at the start of Chapter 3; “...*we should be rigorous in our endeavours and in applying our knowledge but also we should be faithful to our principles.*” The degree of ‘faithfulness’ to traditional culture and values is the problem here and this meets with considerable resistance in some of the local populations. Saudi Arabia is a good example of what can be described as opposing tensions and here it seems, to the dispassionate observer, in teetering between becoming a fundamentalist and isolationist state to become one nation amongst many. The evidence of key informant interviews and the increasing incidence of extremist and fundamentalist ‘incidents’ lead to these conclusions. In fact, when discussing this point with the many interviewees, one can conclude that there is a strong degree of cognitive dissonance –

that is individuals trying to compromise between the two sides, whilst remaining faithful to both. The problem here is that 'compromise' usually involves a lose-lose situation, whereas the locals are always seeking a win-lose scenario with the foreign labour on the losing end.

The fact of change is not the phenomenon here; there were considerable changes during the decades of the 1960s and 1970s. Change, and resistance to change, has been a constant theme in business and management throughout the ages. Consider the quotation below which *could* have been written in the 21<sup>st</sup> Century.

"We trained hard ...but it seemed that every time we were beginning to form into teams we would be reorganised. I was to learn later in life that we tend to meet every new situation by reorganisation; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation." (Petronius Arbiter, 201 BC.)

Arbiter's grievance about 'changes' and 'reorganisation' are evocative of Hamdan's approach <sup>(Hamdan, 2003)</sup> when quoting from the Holy Koran. The warnings are clear;

"... Yet these frequent changes from an approach to another often lead to inconsistency and confusion. By the time people conform to a certain approach, another replaces it. This often causes confusion and incapacities to comply and conform to new changes. ... It could also lead to lowering the level of aspiration, discouragement, frustration and the development of unhappy attitudes." <sup>(Ibid, p. 90.)</sup>

But change is constant, and it is the *pace* of change that creates the transition from a traditional Islamic society to a Western value system and the impact of this is more profound than it ever has been in the history of the peoples of the region. In brief, the region is facing issues of transparency, accountability and power sharing, privatisation, diversification, diminution of the state's influence in the public sector and the creation of a newly constructed private sector, competition on a global scale, and adherence to 'rules' imposed externally – as in the case of membership of the WTO, ILO and World Bank. Only recently has the private ownership of land by foreign nationals and the 100 percent ownership of businesses by foreign investors crept in to the economic arena. The observation here is that even if the Holy Koran recommends that all these elements should be adopted in government, commerce and business, it stills remains (as confirmed by the primary research) that the culture of

UAE society, as defined by the 'way we do things around here', needs to conform more closely with the traditional Islamic value system as outlined in the Holy Koran.

Today, one can see new policies in Saudi Arabia, Kuwait, Oman, Bahrain and the UAE, policies that would have been unthinkable just a decade ago. But there are still many more essential and radical changes to come. For the indigenous population, research suggests that it is difficult to grasp that Trade Unions in Qatar were being balloted (Spring 2001) for strike action or that women and non-Muslims were appointed to the Shura Council in Bahrain, and that this society has universal suffrage and is moving towards full democracy which has been initiated by His Excellency The Emir himself (now His. Majesty, the King of Bahrain). In Qatar, the first woman has been appointed to the Cabinet (Sheikha bint Ahmed Al Mahmud) and in Dubai, women are represented at the highest levels in the Civil Service (Under Secretary). But, in Bahrain, the impartial observer will have noted, that although women were appointed to serve of the Shura Council, in the ensuing elections, not one woman was elected. A sign that change in the status and function of women is being resisted at the democratic level.

In assessing the magnitude and pace of change, one has to bear in mind that the Gulf rulers have been in power for decades and even centuries. The Al Sauds came to power between 1902 and 1934; the Al Kalifa in Bahrain in 1783; the Al Thani in Qatar in 1873; the rulers of the UAE in the mid-19<sup>th</sup> century; the Al Sabah in the late 18<sup>th</sup> Century. These small societies were able to face the challenges of gaining independence and building modern states during the wave of Arab nationalism in the fifties and sixties. They absorbed the humiliating defeats of Arab nationalism in 1948, 1956, 1967 and 1973, the revolution in Iran and the crippling Iran-Iraq war and the invasion and annexation of Kuwait by its Arab neighbours, Iraq, in the early nineties and another full-scale war (which was opposed publicly by the GCC states) in 2003.

Overall, the GCC nations have displayed a good deal of political and social stability during this period, and there is no reason to believe that this stability cannot be sustained during the 'decade of change'. There is an ability to reconcile conflict internally between one faction of a family and another – even within a ruling family itself. This has contributed to a 'wisdom of government' that has distinguished the

Gulf systems from the many other Arab ‘revolutionary republics’. The question before us now is how the Gulf will use this flexibility and adaptability to manage the much-needed and more difficult transitions of the future. How can it initiate, implement and manage these changes whilst retaining its traditional culture? It appears that the signs of a diminution of traditional culture are already appearing. The sample population for the interviews were largely from public sector organisations, and every one of these informants appeared in their traditional dress (the *thobe*), white in summer and coloured, usually brown, in winter. Their heads would be covered by a head cloth; the red-and-white chequered one is called the *shumagh* and is made of cotton. The white *ghutra* is made of finer cotton and is typically worn in UAE.) However, in the private sector, banks, businesses, hotels etc. staff typically wear western-style suits and this pattern is replicated throughout UAE. It is unlikely that one will ever see a General Manager of a five-star hotel wearing anything but a smart suit and white shirt.

3. Employment Opportunities in Excess of Supply

The high economic growth experienced by all GCC countries towards the end of the seventies and the early eighties, resulted in the compelling need to absorb an increasingly growing number of foreign nationals and highlighted a proven shortage in the number of local workers needed to support the growing economy.

Table 3            Gulf Co-operation Council – Population Estimates (1998)

Kuwait	Qatar	Oman	Saudi Arabia	Bahrain	UAE	Total GCC
2,208,000	647,000	2,993,000	25,064,000	667,000	2,652,000	34,231,000

(All data relates to total population including foreign nationals)

With a indigenous population of the GCC area about 34,000,000 and about 50 percent under 15, the economy was completely and rapidly transformed from a nomadic lifestyle based on the primary industries like fishing, pearl diving, trading and agriculture to one focused on the tertiary sector of hydrocarbons (exploration and

extraction), finance, banking, tourism and service industries all requiring modern technology and knowledge and manual and semi-skilled (artisan) workers not available locally. As a result, the GCC economies generate a demand for labour in excess of labour supply, and therefore a large number of foreign workers were attracted to the area. In so doing these migrant workers swamped the local labour supply by a ratio (today) of 90:10 percent. That is that only 10 percent of the labour force was local and 90 percent was foreign.. These migrants gravitated to the positions in the construction, service, agricultural and transport sectors (for example) that locals refused to fill, resulting in high unemployment within the local (younger) potential labour force. Particularly, the majority of these foreigners initially came from the Indian Sub-Continent and South East Asia and, more latterly, from Eastern Europe and China. But the labour markets are segmented between nationals and foreigners and between public and private sectors and the reasons for such segmentation include wage, salary and benefit differentials, skill mismatch between locals and expatriates, and a preference of GCC nationals for public sector jobs, while the private sector has a preference for cheaper expatriate workers. We shall see why this is so below, but it is worth seeing this demographic movement in context.

After the ‘oil boom of the late 1970s and early 1980s, it has been estimated that 25 percent of the 20 million migrant workers in the world were employed in the GCC region. (Farjani, 1994) Put another way, in a region where the total indigenous population was between 17 to 25 million, in the mid-1990s, there were over 12 million foreign workers. (The Economist, 1997, p.41.) In the six GCC countries in the 1990s, the approximate percentage of expatriate to local labour is as follows:

**Table 4            Percentage of Expatriates in GCC Countries**  
**% of Expatriate Labour in the Total Labour Force**

Country	%
United Arab Emirates	91
Qatar	83
Kuwait	82
Saudi Arabia	69
Oman	67
Bahrain	60

(Source: Mellahi & Al-Hanai, 2000, p.177. See also Belman, et al, 1996, p. 5.)

In 2001, according to the Minister of Labour, locals represented less than 7.5 percent of the total UAE workforce. There is also, to be taken into consideration, a large underbelly of illegal immigrants operating a 'black' economy, but this number for obvious reasons remains unclassified.

It can be seen from Table 4 that important national variations exist within the GCC area as a result of specific social, cultural, structural, religious and political contexts. This not only reflects the state of the economy (Bahrain has the least proven oil reserves in the GCC and also the lowest level of expatriate employment) but, more poignantly, it also reflects the attitudes of nationals to undertaking menial and semi-skilled labour. We will be returning to this point throughout later chapters.

In October 2000, Reuters claimed that UAE citizens are getting increasingly alarmed as they become a shrinking minority in their own country and that they are becoming increasingly reliant on foreign workers who now occupy more than 91 percent of the country's three million workforce. This is by far the highest proportion in the Gulf Arab states. We will also see that in the year 2002-2003, Dubai doubled its employment of new foreign workers, to cope with the expansion in the construction industry.

Reuters News Agency reported this statement;

"United Arab Emirates citizens are rapidly becoming a shrinking minority in their own country. UAE officials and businessmen say that they are alarmed by what they see as a growing reliance on foreign workers who now form more than 90 percent of the country's three million workforce."

(Reuters News Agency, October 2000)

At a conference sponsored by the Arabic newspaper *Al Khaleej*, delegates concluded;

"Foreigners now virtually dominate the private sector and form around 60 percent of the public sector workforce"

The empirical research for this study confirms that the Reuters figure of foreign workers in the UAE labour force of over 90 percent is accurate but it is difficult to see

where the *Al Khaleej newspaper* gets its data from. The figure provided by a key authoritative informant was closer to 40 percent representation of foreign workers in the public sector. (Director of Statistical Office, Ministry of Planning.)

According to the latest official figures in 1997, the UAE population stood at 2.7 million of which more than 75 percent were foreign. UAE officials 'privately' suggest that the figure was now (October 2000) around 4.6 million, 85 percent of them foreigners. The expatriate's ratio-to-locals is higher in the workforce as UAE immigration laws prevent low-paid workers from bringing in their families. (Unpublished data supplied by the Director of the Statistical Office, Ministry of Planning.)

In 1968, three years before the country gained independence from Britain, UAE nationals represented about 62 percent of the total labour force, said Matar Juma'a who is Head of the Statistics Unit at the Abu Dhabi Planning Department and the subject of one of the key informant interviews; "We are now less than 7.5 percent", he reasoned in 2001. Similarly, Mohammed Mazroul, Secretary-General of the Federal National Council (the UAE's appointed parliament), stated; "We are shackled and I want a solution now before I (as a 'local') become a mere one percent". (The last 2 quotations were posted at <http://Arabia.com> in 2002) A study on the workforce in the private sector released March 2001 found that construction and services industries employed the majority of the UAE's 1.4 million workers, two thirds of whom do not have a secondary education, many of them having stayed illegally after completion of projects, working on farms and as servants and working in petrol stations. (posted at <http://Arabia.com> in 2002) However, notwithstanding all the efforts to reduce expatriate labour in the short, medium and long term, the Minister for Labour and Social Affairs, Mr Mattar Humaid Al Tayer, announced

"...officials of the ministry are considering a proposal to add some more professions to the categories exempted from the secondary schools certificate condition. ... An appendix to the ministerial order No.161 issued on February 22 listed 33 activities in the contracting and constructing sector whose workers are exempted from the rule." (Khaleej Times, 4 May 2003, p.3.)

This ruling serves two conflicting objectives:



1. It provides for increasing numbers of unskilled foreign labour
2. It serves to discourage local labour and in so doing, reduce the high unemployment among locals.

The official mindset of the President and the government is that locals should take any jobs available and contribute to the building of the new society. On the other hand, the Holy Koran urges, workers should not try to take jobs above their capacity and workers in all designations should be treated with dignity, humility, respect and be subject to 'bottom up' feedback. (Hamdan, 2003, p.209.) Once again, locals look to the Holy Book for guidance, but then in such circumstances seek not to follow the advice found there. It would be most unusual to find a local accepting work at the level that a secondary schools certificate is not required, as Al Tayer announced. Clearly, the proposal was to act as an empowering directive to ensure and facilitate an adequate labour for the menial, but essential, work in the rapidly expanding construction and manufacturing industries. The perplexing issue here is that this pronouncement is tantamount to suggesting that a shortage of foreign labour will impede the expansion of these industries. Contrary to a general consensus, this statement supports the hypothesis set down on p. 29 above. This was confirmed in a further statement by a government official. The implication of the contents of this statement by Salim Ali serves also to support the hypothesis.

In order to facilitate enough labour for the construction industry, the Director of Foreign Relations at the Ministry of Labour, announced; "Yesterday we approved employment visas for expatriates who do not have high school certificates." (Salim Ali, 2003) In effect, this statement supports two of the principal theories proposed in this study: that in certain occupations within the private sector, the expatriate population will continue to increase exponentially alongside the expansion of the sector itself; and that secondly the educational and skill levels are being reduced in order to fill the vacancies that cannot be filled locally. We will return to these two themes in this and other chapters. One might ask at this stage, however, is how can the government reduce the foreign labour by 50 percent whilst, simultaneously, expand the very industries that are almost totally reliant on their labour input?

It is now estimated that there is now 1.3 million Indians in UAE which alone doubles the number of citizens and they constitute over one-third of the total population.

*(Bahrain Tribune, 21 June 2001)* A further warning was recently given to the UAE Government by a Government advisory body which has called for “swift action to reduce the country’s reliance on foreign labour”. *(Bahrain Tribune, 21 June 2001)*

#### **4. Labour Force Segmentation**

We turn now to the labour force segmentation. In the United Arab Emirates, and in the neighbouring states of the GCC alliance, there remains a highly segmented labour market, with the bulk of the private sector jobs – most notably those which are associated with the lower strata of the labour force – are occupied by foreign workers, whilst the indigenous workers continue to dominate the higher echelons of the public sector. In this section we concentrate on researching why the status quo has defied continuous attempts at reform and why with privatisation, liberalisation, diversification and globalisation on the government’s agenda, the possibilities for future reform will continue to prove most illusive.

‘Globalisation’ was widely acknowledged as a powerful force for growth of the world economy during the 1970s and 1980s, but its impact now is to split the world’s trade into trading blocs and much more limited mini-lateralism. This section aims to analyse the extent to which policy-making could be improved so that it can address and deal with the effects of globalisation and turbulence on domestic and international economic environments. We are concerned here with focusing on two distinctive sources of turbulence. The first, external-led, turbulence is generated by globalisation dynamics and is mainly played out by trans-national actors and multi-national corporations. These are particularly visible in monetary and financial volatility. So, the price of a barrel of oil in December 1998 fluctuated about \$9 a barrel, which, within a few months, had increased to \$30 and more. At the time of writing (September 2005), it is fluctuating around \$68 a barrel having risen as a result of the Second Gulf War and the terrorist threat to Saudi Arabia. Nonetheless, even at this inflated market price for oil, Saudi Arabia and Bahrain still have problems in balancing their national budgets.

Although during times of high oil prices, the economy of UAE is buoyant, overall it is under continuous strain that leaves the economy vulnerable to global price swings.

At the time of lowered oil prices, between 1996 and 1998, most GCC countries operated within a large budget deficit and a drastic reduction in export revenues led to a reduction in economic growth that had been steadily maintained in negative areas. .

According to the Central Bank Annual Report for 1998, UAE gross domestic product at current prices (GDP) decreased from Dh 180.6 billion in 1997 to Dh 170.1 billion in 1998 (-5.8 percent), despite substantial growth in most economic sectors. This drop was largely attributable to a 31 per cent decline in the value of the oil sector output, from Dh 53.5 billion in 1997 to Dh 37 billion in 1998, due to low oil prices. (It must be remembered that the higher the production of oil, the lower the price.)

In turn, this led to a large increase in unemployment, particularly in the group of young nationals – those leaving school in the twelfth grade without formal entry qualifications for college or university. This was accompanied by parallel development in most states within the GCC consortium. It is at this time, when the period of financial prosperity based on oil was thought to be at an end, that serious debates began on a structural adjustment of the dualistic labour model. When the price of oil falls and the concomitant fall in government revenues bites, the various governments freeze employment levels in the public sector; increasingly forcing nationals to seek employment in the private sector (or remain unemployed). This actually occurred in the late 1980s and early 1990s. <sup>(Azzam, 1997a, pp.72-76.)</sup> More recently, there is an example of the relaxation of standards for nationals of entry to jobs by the Dubai Transport Corporation. It announced a number of incentives and facilities to encourage nationals to join the organisation as taxi and bus drivers. Currently the overwhelming majority of these service jobs are filled by Pakistanis). Mohammed Obaid Al Mulla, Director General of the Corporation announced:

“Our scheme follows the instructions and guidance of the Dubai Government in offering jobs to UAE nationals and help in the Emiratisation process so that we can develop a UAE national workforce that is qualified and well trained.”  
(*Khaleeg Times*, 3 May 2003.)

Dubai Transport Corporation is a government-run business, which is in competition with similar organisations in the private sector, and in the above quotation there seems to be some pressure exerted by the Government to recruit nationals. However,

keeping the last phrase of the quotation in mind, the Director General goes on to say: "...that UAE nationals who do not know how to read and write will be assigned as bus drivers..." (*Khaleeg Times*, 3 May 2003.)

This appears to be a manifest reduction in recruitment standards whilst positively discriminating in favour of locals, which is most certainly contrary to the regulations of the International Labour Organisation. Further, the Director General conceded that there are only 40 percent nationals occupying positions in the executive and higher management posts "and we are eager to emulate the same success in all our departments and sections ..." (*Khaleeg Times*, 3 May 2003.)

It is interesting that the Minister would prefer to have an illiterate local driving the nation's buses, that an educated expatriate. A year later there is a 'Memorandum of Understanding (M of U) between TANMIA and the Dubai Transport which states that "TANMIA will assist Dubai Transport in its Emiratisation drive by offering its services for training and employing nationals and providing career guidance services." (*Gulf News*, 31 July 2005, p.4.) The negotiations for this M of U involved one of the interviewees for this study, and this is a very noble strategy, but how is one going to get the locals to undertake training for the jobs as bus and taxi drivers which they consider to be beneath their dignity? One is minded of the Senior Planner at Etisalat who bemoaned that he had to go to India to fill his vacancies for technical staff, because he couldn't get locals involved. Certainly, if a local took a job as a bus driver, it would lower his esteem and self-image and probably bring pressure from his family to leave his job.

Cooper estimates that in Saudi Arabia in the mid 1990s, 6 million out of a total population of 19 million (about one third) were foreign guest workers, representing no less than 60 percent of the total labour force and more than 93 percent of the private sector employees. (*Cooper*, 1996, pp.55-59.) Given the breakdown of the official jobs in the public sector when confronted by high birth rates and unstable oil prices, the need for 'indigenisation' or 'Saudization', Emiratisation, Bahrainisation, Omanisation, etc. of employment in the private sector became increasingly more pressing. According to a study by the *Saudi Arabian Economics and Business Magazine* <sup>(1997)</sup>, the overwhelming majority of new jobs created at the close of the

1990s were in the private sector; moreover, most were manual and skilled jobs, requiring specific vocational skills. Further, the Bahrain Labour and Social Affairs Minister, Abdulnabi Al Sho'ala, has declared that there is no move to introduce a minimum wage in the private sector. He pointed out that the setting of a minimum wage would be left to market forces within a framework of "persuasion that could bring positive results". However, the minister said that the labour market still faced a problem posed by low wages in many sectors, especially in the construction and development industries. (*Gulf News*, 5 April 2001.)

The reason for this outbreak in unemployment is relatively obvious. After experiencing almost two decades of high economic growth, as we have seen, the countries of the GCC had suffered a downturn between the mid 1980s and the end of the decade. This downturn had a direct impact on job creation. Since the early 1990s, the economies of the GCC area have been growing at an unimpressive rate, until 2000, (see Table 5 below), while the population growth has been closer to 4 percent since the 'oil and baby boom' from 1973 onwards.

*The Economist* <sup>(2000)</sup> estimated that the economies should grow by 6 percent to generate enough jobs for young male nationals who were entering the labour market from the mid 1990s. This disparity in the link between economic and population growth has pushed the issue of the unemployment of young nationals to the forefront as the 'baby boomers' enter the labour market. However, the position is more complex than would appear at first. It is increased in its complexity through the 'dualism' in labour trends. With something like 70 to 80 percent of the labour force in the public and private sectors combined being low paid, menial tasked, insecure and temporary, foreign workers, there are plenty of jobs. But, as has been argued above, these jobs, largely in the private sector, are not attractive to young locals and in the fairly static social and cultural orientation, they perceive that to take these jobs would bring disgrace to their families and demean their status as a national. This point was made repeatedly in the primary research interviews. We shall see the negative consequences of this unemployment in later chapters.

**Table 5            GDP Changes in GCC, (%) 1998-2001**

Country	1998	1999	2000	2001
Saudi Arabia	1.6	1.8	5.5	4.0
UAE	-1.0	4.0	5.5	5.0
Kuwait	1.3	0.5	4.5	4.0
Oman	2.9	3.7	4.0	3.0
Qatar	2.5	3.5	7.0	?
Bahrain	4.8	3.6	5.2	4.0

Source: Azzam 2000b, p.94

Oil, in the short term may be extremely profitable, but in the mid- to long-term, it is by no means a guarantor of continued general, and ever-lasting prosperity. This was borne out in Nigeria, Mexico and Venezuela and in the Gulf between 1996 and 1998. Single governments and even small alliances are impotent in preventing and avoiding this volatility and financial turbulence.

The second source of turbulence, defined as ‘domestic-led turbulence’ is highly visible in the Gulf States and it feeds domestic counter-reactions to the policy of ‘localisation’. The paradox here is that there is a need to provide ongoing employment security and a relatively high standard of living for nationals whilst, simultaneously, diversifying the economy from the one based on raw materials and fossil fuels to a ‘tertiary economy’ - one largely based on the service and financial sectors of private enterprise. These will need more, not less, of the lower paid, lower skilled, labour force which is currently occupied by the expatriates from the Indian Sub-Continent and southern Asia. The ‘dualism’ (or segmentation) of the labour market is currently deeply entrenched and the signs are that with diversification, this deep-rooted entrenchment will be reinforced with minimal disruption to the social and cultural order. For, research for this study suggests, it is still perceived as a citizen’s right to hold down a well-paid government job and enjoy generous reward packages (such as child allowances, pensions, extra leave on public holidays, etc.) and a good quality of working life. This general culture has led to the position where the salary enjoyed in the public sector generally continues to exceed that received by the private sector by many times. As Shaban, et.al. have reported, the State sector is becoming the only option that indigenous entrants to the national labour force will consider. (Shaban, et.al, 1995, pp.65-82.) Gavin has estimated that in Saudi Arabia, more than

100,000 Saudi males enter the labour force every year, yet the non-oil private sector is only creating enough new jobs to absorb about one in three job seekers. (Gavin, 2000, p. 19.) According to reports in the Saudi popular media, what is referred to as “high and persistent” unemployment is straining the very fabric of society, and could lead to a wider upheaval.”(Allen, 2000.) In neighbouring Bahrain, high unemployment amongst urban youth did indeed lead to serious political unrest between the Sunny and Shiite Muslims in the mid-1990s and this scenario could be replicated elsewhere in the GCC area. Generally, in all GCC states, but it seems more acute in UAE, the problem of the concentration of ‘nationals’ in public sector jobs is a political one; that is to say that at the present time, the public sector sees itself as a kind of social service to keep nationals in employment, at the price of over-manning. The exercise of influence (*‘wasta’*) is still largely determining recruitment policies, rather than skills and competence to do the job. Over 10 percent of the key informants suggested that *wasta* was a negative but prevailing influence. It is also political in as much as unofficial estimates indicate that remittances by foreign workers in the six GCC countries average about \$25 billion each year. (*Arabia on Line*, March 2001.) Only one of the interviewees, (the ex-board member of TANMIA), could foresee the problems which potentially will be raised by the ILO. The remaining interviewees dismissed the impact of the ILO as of ‘no consequence’.

Given the persistent birth rate of around 4 percent per annum in Saudi Arabia, with more than half the population under the age of 15 years, job creation for locals is expected to become more crucial in the future. This is taking place at a time when the economies of all GCC states are expanding and the need for expatriate labour to occupy the jobs becoming available in the process of economic diversification. Job opportunities in the private sector are increasing. But locals participating in courses at the colleges of higher technology are acquiring vocational skills. However, once again, there is evidence to suggest that these courses are considered not suitable for those nationals who aspire to occupy the more prestigious public sector positions. In conversation with a graduate from the College of Higher Technology, mention was made to the fact that he was a ‘graduate’. “So you have a Bachelor’s degree”, he was asked and replied, “No, a diploma”. That is equivalent to a HND in the UK and this is non-graduate status, but because he was a local, he had, with the company’s connivance, adopted the status of graduate and was a ‘developee’ in a position

reserved for 'graduates'. (This was with the National Oil Company.) As we shall see, another interviewee (a senior planner in one of the largest engineering-based corporations in Abu Dhabi) said that he had to go to India to recruit qualified technicians, as none were available locally. He also expressed some frustration with the colleges of higher technology because "they are excellent for engineers and also at the lowest level of literacy, etc. But they are not graduating many at the technician level, and this is the grade we are desperately short of."

In an attempt to force firms into employing more nationals, the Saudi Arabian government introduced 'Resolution 50' (the major Saudi initiative in this area initiated in the late 1980s), which – in theory at least – compelled firms to fill any vacancies with Saudi nationals where at all possible. In addition, firms were supposed to increase the number of Saudis by 5 percent per annum, or face sanctions. However, despite this, and calls by the popular media for greater Saudiization, the percentage of employment of locals in the private sector has not changed significantly. According to a 1997 *Economist* survey, the legislation and concomitant political pressure has largely been ignored: most private sector firms have chosen to by-pass the law, rather than implement it. The reasons for this are contained within four factors:

1. This is simply labour cost. The influx of cheap foreign labour during the past three decades resulted in the private sector being reliant on cheap manual labour, and this is deployed in labour-intensive occupations. Indeed, continued profitability is dependent on this sector being given a free hand in the utilization of expatriate labour. Although, since the mid-1990s, Saudi Arabia has increased the cost of hiring foreigners by introducing compulsory health care for expatriates and also increasing the cost of issuing and renewing work visas from SR 1000 to SR 2000, local workers are still much more expensive to hire than the expatriates. (Montague, 1995, pp.40-41.) It has been argued that more than 85 percent of jobs in Saudi are paid less than what a Saudi would accept as a minimum. (Cooper, 1996.) Indeed, Mellahi & Wood, go further. They claim, "this situation has been exacerbated by deeply entrenched managerial stereotypes: it is commonly alleged that locals will generally demand about six times the salary of a skilled foreign worker would be prepared to accept and they will not work as hard". (Mellahi & Wood, 2001, p.8.) "Certainly, expatriates are more willing to accept low salaries because they still earn more than they would in their home countries, such as India, Pakistan, the Philippines and Bangladesh". (Al-Najjar, 1983; Atiyah, 1996, pp.37-47; Owen, 1986, pp.24-27.)
2. The social and cultural perceptions towards work in the private sector greatly influence the ability of companies to recruit and retain qualified local workers. The type of work, sector of employment and social interactions at work



determines the social status of the worker and also that of his family. (Mellahi, 2000 pp.31-37.) Most of the jobs in the private sector are manual labour, which are viewed in a particularly negative light. Prior to the large-scale influx of foreign workers, these jobs were allocated to people of very low status. Social interactions with such people in the form of marriages were severely restricted. (Attiyyah, 1996) Indeed, recently Baxter, suggested that:

“... for (local) youngsters leaving school, the barriers against desirable career paths are almost mythical. They will not accept jobs as salesmen because this does not befit their social status; they will not take workshop jobs where there is a threat of physical danger. Low salaries are an insult ... the Saudi youth has too much pride to swallow”. (Baxter, 1998)

A good secure and well-paid government job is the target for most nationals. In Kuwait, around 93 percent of the Government's workforce is local and the Government will spend some 96.8 percent of the country's oil revenues on their salaries, pensions and welfare payments. (Bahrain Business Tribune, June 2001, p. 9.)

3. The third factor is control over the process of production. It is generally held that expatriates are easier to control and more disciplined than local workers (Attiyyah, 1994; also Attiyyah, 1996; and Lumsden, 1993, pp. 46-48.) Work permits are generally only valid for one year and foreign workers do not qualify for permanent residency, regardless of the length of their stay. Employers have few legal obligations towards expatriates who can readily be laid off and sent home at very short notice. In addition, to add to the expatriate insecurity, work permits are granted for specific occupations with a specific employer. This prohibits a change of jobs without the consent of their employer/sponsor. Hence, labour turnover and 'job-hopping' amongst expatriates does not exist. Few employers (sponsors) are prepared to transfer visas to other organisations and the result is immediate departure for their country of origin and a minimum six-month ban from re-entering the country. This 'ban' is rigorously enforced, with high tech equipment involving eye scanning and fingerprint checks.

“It is hardly surprising that some unscrupulous private sector employers exploit their unskilled foreign workers by having poor working conditions, low wages and long hours. There is an absence of strong regulative pressure and low levels of enforcement of even basic legal requirements, such as adhering to the terms and conditions of employment for expatriates.” (Attiyyah 1996)

(The author has heard on many occasions and on short notice, a manager informing a foreign worker that his or her off day will be cancelled this week {usually tomorrow} without compensation.) Attiyyah's view as expressed above has been confirmed more recently in the empirical research for this study. One General Manager claimed that he preferred to employ foreign workers

because of the control element and another drilling manager stated; “I prefer to have expatriates working for me. They work according to the schedule set for them, they are more reliable and usually complete their work with a higher quality and more efficiently and effectively. Locals cannot even be relied upon to turn up”. Yet another senior manager (For a French Oil Company). complained that “it is sometimes very difficult to get a local to turn up for a performance appraisal interview. There is little that I can do to coerce him to do so.”

4. The fourth element is the lack of social integration in multi-cultural work environments, despite workforce diversity. There is considerable evidence to suggest that a large proportion of indigenous workers are reluctant to integrate into the multi-cultural environment for fear that it might degrade their existing social status. <sup>(Mellahi & Al-Hinai, 2000; and Attiyah, 1996)</sup> One senior manager working for the National Oil Company suggested in interview that there over 75 different languages spoken in his organisation. The official language of multi-nationals, including the oil companies, is English, but it was found that very few of the labourers can actually speak any English.

Change seems to be illusive in the GCC area’s social and cultural values. In an age of globalisation:

“The large majority of firms in Saudi Arabia have localised strategies where competitive advantage is still strongly influenced by intangible assets, bestowed by the local/national business environment, derived from their embeddedness in national institutional structures and from implementation into national development policy and business networks.” <sup>(Mellahi & Wood, 2000)</sup>

Mellahi and Wood suggest that there are two principal policy options available to employers. They are incompatible:

1. The first would make attempts to shore the current labour market dualism. This would entail firms vigorously lobbying the governments to relax affirmative action quotas, pointing out that economic diversification will, over the long term, generate sustainable growth and with it greater employment opportunities for nationals (than the abandonment of the current policy). However, given the volatile nature of the price of oil, governments cannot always rely on its internal capacity to mop up domestic unemployment in the face of the burgeoning birth rate. In short, whilst the difficulties associated with abandoning the current dual labour model, might have prompted the governments to turn a blind eye to those flouting these quotas, it is likely that there will be a gradual tightening up of the system.
2. Secondly, improving the conditions, image and standing of skilled manual work and making the workers feel more comfortable in the multi-cultural context in existence could enhance the productivity of nationals. This will

serve to gradually erode existing stereotypes regarding the ethnic division of labour. (What Mellahi and Wood don't specify in relation to this second point is that if employers would take this option, the motivation of the foreign workers would increase and it would be translated into performance improvement.)

The response of the GCC governments has been prompt and radical. Governments have, to a greater or lesser degree, established quotas or targets of employment of nationals in certain private companies. They are providing incentives for hiring and training nationals and, conversely, they are increasing the cost of foreign labour through visas, health provision and various other means. It is unlikely that these measures alone will act as a deterrent to the use of foreign labour. On the contrary, by imposing sanctions for the use of this non-national labour, the governments are serving to reduce competitive advantage and increase the unemployment among nationals. An obvious way to encourage the employment of local and national labour in the private sector is to reduce the differentials in wages, salaries and benefits between the private and public sectors. In some countries there is consideration of extending social allowances to nationals working in the private sector. It would appear that the Colleges of Higher Technology have an important role to play here by providing the skills and competences for nationals and in so doing will reduce the skills gap between locals and expatriates. (Motivation also needs to be incorporated into the courses of the Colleges of Higher Technology. Empirical research suggests that locals do graduate with HNDs (etc.) and are qualified as technicians, but they don't follow-through into technicians' employment. They want jobs with a perceived higher status. (Senior planner, Etisalat.)

One of the largest government corporations in UAE is Etisalat, the government-owned monopoly tele-communications company. Recently, Etisalat announced its third five-year plan to recruit UAE nationals for technical and supervisory engineering posts, stating that its 'Emiratisation' drive was showing encouraging results. The corporation appointed some 722 nationals in the preceding year, which has taken the total number of nationals working in Etisalat to 3,258. According to an Executive Vice President for Human Resources of Etisalat, nationals now constitute 36 percent of its workforce. (Al Sawaleh, May 2001, p.5.) This ratio of nationals to expatriates in Etisalat falls way below the 94 percent of Nationals working for the equivalent

Bahrain Telecommunication Company (Batelco) which goes some way to confirming the earlier statement that the attitudes of the more affluent Emirates differ markedly from those of the Bahrainis, who seem to settle in far easier jobs at the lower end of the occupational ladder; jobs as technicians in the telecommunications industry is one such example, but driving of taxis is even more pronounced. It is rare to see a taxi driver in Abu Dhabi or Dubai who is not from the Indian Sub-Continent, whereas the taxi drivers in Bahrain are 100 percent local. We will be returning to the role of women in the UAE labour force in Chapter 8, but whilst referring to Etisalat, it is worthy to note that 32 percent of Etisalat's national employees are women. It is also pertinent to reveal that the head of Batelco in Bahrain is a UK national and the head of Gulf Air is an Australian. These two positions have recently been taken up and they are both in the public sector in Bahrain. It is difficult to believe that within the local community, there are no locals who were qualified to manage these two large public sector companies.

Etisalat's first five-year plan was launched in 1990, the second in 1996 and the third was implemented in 2001. The 1990 plan was designed to recruit nationals for senior posts, the second in 1996 focused on junior positions as well as posts with direct contact with the public and the third, as indicated above, focused on filling technical and supervisory grades in engineering, information technology and the internet. This plan has been designed to conform to government quotas for the minimum emiratisation of 50 percent by 2006, with an annual increase of 10 percent over the current number of national employees. However, this assumes that the corporation will remain in Government control and not be de-regulated and privatised during the period of the five-year plan. A situation that is unsustainable, particularly when Batelco (Bahrain Telecommunications Company) commenced its privatisation and de-regulation programme in June 2003 and the Qatar Government sold off 45 percent of its equity in Q-Tel.

## **5. Beyond Abu Dhabi**

It is useful to look at some data for individual emirates, where this is available. Fujairah's population, up to the end of 2000, has been estimated at 106,596, compared with 92,000 in 1999 and 88,000 in 1998. This represents a rise of almost 16

percent between 1999 and 2000. There are 8,548 employees working in the emirate's government and federal departments 896 of whom are nationals, 144 from the GCC countries, 2,103 from other Arab countries, 3,280 Asians and the remaining 125 other nationalities. (Saad, May 2001, p.5.)

Dubai, which is in the process of extensive diversification (with very little oil reserves left), provides some insight into trends within the labour force composition. In the four-month period, from the beginning of January to the end of April 2001 the Dubai Ministry of Labour and Social Affairs approved 55,241 new labour visas. According to the Under Secretary for Labour Affairs at the Ministry, Dr Khalid Al Khazraji, who explained that the largest number of labour permits, 14,827, were given to workers from Arab countries, 13,783 Indian workers were approved for visas and workers from the remaining Asian countries of Pakistan, Bangladesh and the Philippines received a total of 22,862 labour visas. Applicants from Europe and the United States received 2,506 permits and workers from Africa and other countries 1,380. Dr Al Khazraji said that the committee that approves labour permits had taken into account "the cultural diversity of the work force in the private sector" and that there was a need to create "an equilibrium among the demographic structure of the labour force in the country". He also said that there were no restrictions placed on the recruitment of skilled workers, but the unskilled were restricted, and he further pointed out that under Federal Law No.8, Arab nationals should be given priority after UAE nationals in filling job vacancies. (Gulf News, May 2001, p.5.) A breakdown of the ministry figures can be represented as follows:

What has to be noted in Table 6 is that entry to the UAE for the unskilled (labourers) is restricted, as mentioned by Dr. Al Khazraji, but immigration into the one Emirate of unskilled labourers amounted to almost one quarter of the total immigration?

**Table 6            Breakdown of skill levels in the Ministry of Labour & Social Affairs Data UAE - 2001**

Level	%
Labourers	24.0
Skilled workers	27.6
Administrators	13.3
Technicians	9.4
Professionals	7.8

It is worth repeating for emphasis that the above report by the Under-Secretary at the Ministry of Labour and Social Affairs in UAE and its accompanying data refer to just one emirate, Dubai, for a period of just four months. It should also be noted that in addition to the 55,241 new labour visas approved in this relatively short period, a similar number were rejected. Those foreigners who were successful would have only been issued with a labour card if they had available a sponsor who had offered them a job. No job, no labour card. As the construction and manufacturing industries are increasing by approximately 15 percent annually, it is still improbable that the government will be able to reduce the size of the foreign labour force in UAE by half within four years without structurally harming the economy.

Considerable progress has been made in recent years in enhancing the role and status of the private sector, which is sorely needed in order to attract nationals into private sector enterprise. In order to increase the private sector's participation in the Qatar economy, the Government, in December 1998, sold 45 percent of its share in Q-Tel for the equivalent of about \$742 million. In addition, in 1999, it transferred the operation and maintenance of the country's largest and newest power and water desalination plant to the Qatar Electricity and Water Company. Important revisions in the country's companies, foreign investment and agency laws are currently under implementation to create a more entrepreneurial environment aimed at enhancing the role of the private sector in the overall economy. This is another GCC country following the same pattern of privatisation and diversification as UAE. Worth noting is that Qatar has the world's third largest natural gas deposits and one can express this

in theoretical terms that the natural gas industry in Qatar is equivalent to the ‘Rising Star’ in the Boston Matrix configuration.

As an example, in Qatar at the end of 1999, there were 326 private manufacturing units in operation with a total investment of \$3.6 billion and a work force of about 24,000. Over 86 percent of the capital invested in these companies represents Qatari interests and foreign investors have invested the remainder. The steady build-up of the private sector (such as the manufacturing and construction sectors) can be seen clearly in Table 7 below:

Table 7 highlights that dependence on ‘mining and fuel’ is steadily diminishing, but manufacturing is steadily increasing. But manufacturing is highly energy intensive and has still considerable government control. Surprisingly, construction is remaining constant, as is government services.

The Qatari industrial sectors broadly comprise government owned large-scale, energy-based industries and have relatively small and medium scale manufacturing units that produce mainly for the local market. If one uses investment, instead of contribution to

**Table 7            Distribution of GDP in GCC by Major Sectors at Current Prices (%)**

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture, fish & forestry	4.3	4.5	4.4	4.6	4.8	4.6	4.2	4.3	4.9	4.0
Mining & fuel	38.8	35.7	37.7	34.8	33.2	34.3	37.8	36.0	27.2	31.0
Manufacturing	7.7	7.8	8.3	8.5	9.2	9.4	9.3	9.8	10.1	10.0
Construction	7.2	7.6	7.4	7.9	8.0	7.7	7.1	7.3	8.4	7.0
Govt. services	17.5	19.4	16.9	17.6	17.5	17.2	16.1	16.5	19.1	18.0
Others	24.5	25.0	25.3	26.6	27.3	26.8	25.5	26.1	30.3	27.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(Source: GOIC, Industrial Data Bank, p. 95)

GDP, as a measure of the extent of the private construction companies in Qatar, (per operating industrial establishment), private sector units average investment is less than \$3 million, while public sector units have investments of hundreds of millions of dollars. The share of manufacturing in total GDP has also declined from over 14 percent in 1989 to about 8 percent in 2000. More dynamic processes and government intervention is needed to establish a more buoyant and dynamic private manufacturing/industrial sector. Dubai (2003) is a good example where this is happening.

In Saudi Arabia, the share of manufacturing in GDP averaged about 9 percent during the 1990s and stood at about 10 percent in 1998 and 1999. The sector also accounts for over 14 percent of the non-oil exports. Overall, the manufacturing sector grew by about 3 percent in 1998 and 1999. It is interesting that in the Gulf economies, development in manufacturing enterprises (which is normally classified as secondary industries, has followed (not preceded) the services sector which is usually classified as tertiary industries.

The relative importance of the private sector in the economy remained high in the 1990s and witnesses a modest increase in 1998-99. During this period, in Saudi Arabia, the private sector's share in nominal GDP increased from 35 percent in 1998-99, while its share of non-oil GDP remained at 58 percent throughout the last decade. Nonetheless, the volatility of oil revenues limits the thrust towards privatisation, diversification and localisation. As we have seen, the Government announced an estimated deficit of \$13.1 billion for 1998. Total non-oil exports were estimated to have risen by 12 percent during 1997. Petro-chemical exports, which rose by 17 percent in 1997, accounted for 65 percent of total non-oil exports. It is the growth of the non-oil sector (approximately 70 percent in UAE {2003) that has replaced oil as the major determinant of economic growth.



**Table 8            Total GCC Exports - 1989 to 1999 (\$ millions)**

<b>Year</b>	<b>Bahrain</b>	<b>Kuwait</b>	<b>Oman</b>	<b>Qatar</b>	<b>S.Arabia</b>	<b>UAE</b>	<b>Total</b>
1989	2794.9	1194.9	3801.6	2686.8	28382.9	16906.8	66483.1
1990	3724.9	6976.0	5225.0	3529.4	44416.3	16445.1	80316.7
1991	3441.3	1069.9	4444.1	3106.6	47790.1	16408.1	76260.1
1992	3396.6	6584.2	4894.2	3736.3	50287.0	14627.6	83525.9
1993	3650.3	10259.3	4537.3	3180.8	42395.2	14664.7	78687.6
1994	3532.5	11230.2	4612.5	3146.4	42614.2	13891.6	79027.4
1995	4003.4	12780.7	5230.9	3481.4	50040.6	15184.4	90721.4
1996	4610.9	14888.8	6365.4	3752.4	60728.4	17597.1	107943.0
1997	3491.4	14221.7	6338.6	3792.5	60704.1	17392.5	106741.9
1998	3210.6	9620.7	4236.0	4355.0	41517.0	13243.3	76182.6
1999	4036.2	12202.5	4063.5	7061.3	50756.7	18017.4	96137.6

(Source: GOIC, Industrial Data Bank)

All 6 countries of the GCC network posted steady overall growth in exports in the decade of the 1990s, but Qatar seems to have achieved far more growth of exports than the other of its GCC neighbours. Clearly, sustained growth has to be maintained, and this involved the investment in both capital and labour. In an age of privatisation, cheap, foreign and skilled labour is most attractive for entrepreneurs looking for cost reduction and profits.

There is a high correlation and inverse ratio between the levels of unemployment of nationals and the increasing expatriate labour force. However, one must make no post-hoc assumptions here. This is a co-incidence and most of the jobs currently occupied by the foreign workers, would not be attractive at all to the young locals. Manual labour in the construction industry is an anathema to locals and provides just such an example. In Bahrain, the Government had set a quota that all employers in the construction industry must employ 15 percent locals by the end of 2001. The employers within the industry complained at this and they collectively guaranteed to employ every local who came to them for work (regardless of the skill levels). They protested, “we are requesting one thing from the authorities, to tell us clearly what our

share of the unemployed Bahrainis who are willing to work in the construction industry is?” (*Gulf Economic Monitor*, June 2001) This indicates that locals would not apply for construction type work.

The three representatives of the contractors were Nedham Kameshki, Sheikh Ahmed bin Ibrahim Al Khalifa and Ahmed Al Dairi and at a meeting between contractors and the Bahrain Chamber of Commerce Sheikh Ahmed said that a Bahrainisation target of 15 percent for the construction industry, comprising over 2,000 contractors,

“was not feasible as there are not enough Bahrainis available. That is why we want Labour authorities to talk in numbers, not percentages ... We are willing to employ Bahrainis, but even if we, collectively, employ 5,000 of the unemployed Bahrainis, we will get less than two per company...”

One must also remember, as Table 4 indicated, that this controversy happened in Bahrain and can be duplicated elsewhere in the GCC. But it is significant that of all the GCC countries, it is Bahrain cited here which has the least number of expatriate workers in the country (the expatriates would not get a residence visa unless they were there to work and have sponsorship by an employer). In the telecommunications industry, and the case study used for this research, that of Batelco, the ratio of employment of locals is about 93 percent to 7 percent for the foreigners. Most of these, in this capital intensive and ‘high tech.’ occupations are very highly skilled, unlike the construction workers.

In the meantime, many contractors in construction have been bypassing the quotas by naming some of their relatives as being in their employ. In Bahrain presently, there is also an amnesty for 6 months on all ‘cheap visas’ foreigners (those working in the country illegally) and those who are not essential for employment purposes, will be repatriated without penalty. The same amnesty is being operated in UAE. One can conclude that this repatriation of what may be essential unskilled labour is a way that leads to stagnation in the economy, an economy that demands a flexible private sector labour force.

In Bahrain, there is presently a highly focused drive to train and re-train young unemployed Bahrainis to take up employment in the private sector. In the proposed

‘Master Plan’, prepared for the Ministry of Labour and Social Affairs, there is a proposal under *Recommendation 7* to focus of specific population groups as follows:

## 6. Proposals for Action

- 1.1 Policy makers should identify specific HRD (Human Resource Development) and training target groups among the disadvantaged sections of society. Training planners should devise measures to make these groups the focus of HRD plans.
- 1.2 Policy makers should identify ways and means of HRD and training programmes towards specific target groups, such as young persons, job seekers, and women etc., which would generate strong multiplier effects to benefit others.
- 1.3 In devising programmes and allocating funds for HRD and training, the Government should identify those who belong to disadvantaged groups and give priority to those such as job seekers, early school leavers, women and new entrants to the labour force.

The report continues:

### Policy and Planning for Employment Generation

“Priority should be given to employment generation in national HRD development policy making and planning. At present, the existence of expatriate workers means Bahrain is not a labour surplus country. However, it will be increasingly difficult to provide sufficient employment for growing numbers of new Bahraini entrants into the labour force. It has therefore encouraged alternative forms of job creation, notably self-employment and entrepreneurship. In addition, the potential for expanding employment in the service sector, tourism, information, computer service sectors, maintenance and repair trades, and construction, etc. should be fully utilised.” (*Masterplan*, 2001, p.159)

Elsewhere there is acknowledgement of the importance of expatriate labour and the advantages of employing foreign labour. The report states:

Research on expatriate workers and training

“Growing uncertainty in labour market conditions and manpower needs of the country, have still not decreased the need of expatriates. Expatriates workers are however, required to have more effectiveness, efficiency and relevance in their professional areas in order to gain more productivity and profit of the organisations. Research should be undertaken to devise, if necessary, possible training methods and procedures to cover future aspects and employment balance with Bahraini employees.” (*Masterplan*, 2001, p.168)

This quotation concedes that expatriate labour is still essential to sustain the viability of the Bahraini economy.

Officially, unemployment figures in Bahrain stood at just 4 percent in 1999; unofficially, diplomatic sources say it has now passed the 20 percent level. (*Gulf Business*, June 2001, p.67.) In these circumstances with such a large discrepancy between official and unofficial. However, key informants in primary research interviews have confirmed that the unemployment of locals is increasing and it is ‘certainly’ in double figures. And yet, pressures on the labour market will remain acute over the short to medium term, notwithstanding the progress made in 2000 of government-sponsored job retraining schemes to equip locals with the skills mix needed to make them more attractive to private sector employers. The suggestion is that within the mid-term, the economy of each of the GCC countries will not ‘lift off into sustained economic growth’ unless more, and not less, expatriate workers are recruited to fill most of the growing job opportunities in the private sector. The crucial point is relation to Bahrain is that the encouragement of enterprise among locals will serve to generate greater need for foreign workers.

Bahrain was the first GCC state in the area to discover oil, which it did in 1932 and now its diminishing reserves mean that it will be among the first to run out. Its known reserves are just 148 million barrels and it appears that by 2015, Bahrain will have to rapidly reduce its dependence on oil. Today, Bahrain produces around 35,000 barrels of oil per day, which in 1998 contributed approximately 14 percent of the GDP (*GCC Council Secretariat*, 2001, p.38.) and this is boosted by a further 160,000 barrels per day produced by Saudi Arabia for refining and re-exporting. For Bahrain, the latest figures show annual GDP growth from \$6.8 billion in 1999 to \$7.5 billion in 2000. During the period 1990-99, average nominal growth was about 4.9 percent annually. (*GCC Council Secretariat*, 2001, p.38) It should be noted that, with the possible

exception of Dubai, Bahrain has probably done more than any other Gulf state to diversify (new products, new markets) its industrial base. New products and new markets also means considerable changes in employment patterns and skills required, and Bahrain also leads the GCC countries in skill acquisition for locals. Other important industries contributing to the various GCC economies include banking, insurance and financial services, logistics, and regional distribution, tourism and aluminium. Coincidentally, Dubai (too with just minimal remaining oil reserves) relies very heavily in its diversification programme on exactly the same economic areas. However, the service sector in Bahrain, with relatively very few nationals employed, already generates more than 78 percent of Bahrain's GDP. Measured in per capita GDP, Bahrain is the poorest of the GCC states with average per capita GDP of just \$10,300.

However, given the structure of employment in the GCC countries, growth in their economies is becoming increasingly dependent on the foreign skilled workers to a great extent and in the short to mid-term, Bahrain, and others, appear to be adopting an effective policy of training the unemployed and investing in the development of local skills to support the development of longer term occupational needs. The oil revenues provide the 'cash cow' of the Boston Matrix strategy, which is the major enabling factor for the essential investment in the long term. It is worth briefly looking at the oil prices to understand the how the local skill acquisition will be financed.

There was an acute depression in the price of oil in 1997/8 following a long period of relative prosperity (discounting for the moment Kuwait and the Gulf War in the early 1990s). Following 1998, when most GCC countries struggled under the burden of budget deficits, oil revenues again started to recover and in the early part of 1999 the price of a barrel of Brent Crude averaged \$17.9 a barrel – in keeping with the budgeting of most GCC governments. The year 2000 then realised much higher oil prices when the price of a barrel of Brent Crude crossed the \$30 mark. Deficits in budgets were transformed into surpluses and growth rates jumped to very high levels. The nominal growth rate of GCC economies averaged 9.1 percent in 1999 and more than doubled in 2000 to 22.1 percent. In real terms, the GDP growth was recorded at 2.3 percent and 5.2 percent in the last two years. <sup>(GCC Council Secretariat, 2001, p.55.)</sup> Much is

done to support the Bahraini economy by Saudi Arabia, and this includes the concept of 'circulating capital' – Bahrain is an island but attached to Saudi Arabia by a causeway, many Saudis cross this causeway regularly to buy goods and services which are easier to buy, more varied and/or cheaper in Bahrain than in Saudi.

Before leaving Bahrain, it is worthy of note that both Bahrain and Dubai claim that they are the centre of banking and financial services in the Middle East and also aluminium smelting.

## **7. Conclusion to Chapter**

The GCC Supreme Council has approved a Uniform Industrial Development Strategy in 1998 and it is worth replicating the basic objectives for this strategy that can be summarised as follows:

- To accelerate the industrial development process in all GCC countries on an integrated basis, as compatible with the capabilities and circumstances of each country, in view of the movement towards the establishment of a single currency, this 'integration' can be termed 'convergence', a process which is scheduled for completion by December 2004; (Mohammed Al Hais, Deputy Director for the Customs Union Affairs, GCC Secretariat, *Gulf Business News*, 11 December 2003, p.37.)
- To endeavour to increase growth rates in the industrial sector in the GCC countries, as compatible with the circumstances of each country, with the aim of doubling total industrial manufacturing value added every ten years;
- To endeavour to raise the percentage of national labour force in the industrial sector to a minimum of 75 percent by 2020, giving priority to technical and skilled labour (50 percent by 2010);
- To concentrate on increasing the percentage of national components in all industrial products;
- To create a base for applied research and science related to industry;

- To promote the integration of the industrial sector with the gas and petroleum sector and with other sectors of the economy;
- To develop the exploitation of natural resources of the area and increase the efficiency of their utilisation in industry;
- To encourage the installation of industries in less developed areas.

It will be noted that there is considerable emphasis placed on the utilisation of local labour with the aim of reducing the dependency on expatriate labour (75 percent by 2020). It has been argued here that this vision, without the availability of local workers who have the necessary skills and inclination to work in the private sector in 'blue collar' type jobs, is unlikely to succeed. The message from this chapter is that the recipe for success, in the mid to long term, is for a strategic policy of preparing the labour force for the considerable growth in the private sector, having first attracted adequate inward financial investment and ensuring that the right people are in the right place at the right time with the right skills and competencies. Accompanying this process will be the need for considerable diversification involving markets and products and/or services. Also increasing the quality and production of the industrial goods. It is therefore anticipated that, far from achieving targets of 'localisation', the strategic planners should, in the short to mid term, be acting proactively and securing the skills and competencies from an enlarged expatriate population to prepare for the 'new economic and social order'. To illustrate this point, one can see by the chart on Table 4 above, that the country with the greatest amount of diversification (UAE), has also the largest amount of expatriate workers (91 percent). The title of this chapter 'Economic Enterprise and Expertise' has been deliberate. There is much economic enterprise occurring but this is being generated by the availability of non-local expertise.

This chapter has been fairly general across the whole of the GCC area. The next chapter will focus in rather more narrowly, to the situation, past, present and future, in the United Arab Emirates and this will involve primary research as a basis for its content. Taking the working hypothesis as a basis for the analysis, the chapter looks at the problem background and brings it up-to-date when demand for labour of all

descriptions outstrips the supply. The importation of foreign labour is not only desirable, but essential. The chapter concludes with proposals for action.



## CHAPTER 6

### **‘NATIONALISATION’ IN UAE WITH PARTICULAR REFERENCE TO ABU DHABI**

*“The building of Mankind is difficult and hard. It represents, however, the real wealth of the country. This is not found in material wealth. It is made up of men, of children and of the future generations. It is this which constitutes the real treasures.”*

His Highness Sheikh Zayed, President of the United Arab Emirates

(Quoted in *Abu Dhabi Economy*, December 2002)

## **1. The Growth of Expatriate Labour**

So far, the study has set the scene of the general background and context of GCC countries adapting to the realities of globalisation, privatisation, localisation, diversification and convergence. It has blended a mixture of theory, Muslim culture and primary and secondary research to analyse the society in general and, insodoing, this qualitative methodology has contributed to a deeper understanding of the problems confronting the planners in this young society; particularly the need for expatriate labour. So far, in the research and analysis, three major problems have emerged:

1. That locals are reluctant to break away from the security and benefits of the public sector, but there are the jobs in the private sector that have to be filled by expatriates and
2. The locals currently don't have the skills to work in the private sector, even if they had the inclination  
and
3. Before locals can be persuaded to work in the private sector, two things will have to be introduced; (a) there has to be a top down culture change, possibly starting from the teachings of the Holy Koran and the encouragement of the President and the Ruling Family and (b) there has to be incentives for them to leave the security and safety of the public sector, the solution to this is patently obvious – make the private sector as secure and beneficial to the locals as the public sector has been.

These three issues will need to be addressed and solutions implemented before the number of foreigners in the labour force can be reduced. The chapter will develop these elements. The conclusions and recommendations arising from this study will also be brought to the attention of the President.

The chapter now focuses on the United Arab Emirates specifically and portrays an independent state in rapid transition. The transition (and renewal) impacts on all sectors of the economy and society and at all levels within this highly socially stratified, tribal society. The GCC area may never again see the quantum leap in its

fortunes that has faced it over the past few decades, but it still has tough choices to face. This chapter will argue that the Arab states of the area, including the UAE, have been slow to adapt to the problems and opportunities that lie ahead. However, this is not to say that the decision-makers are unaware of the reforms that will be needed as participants in the new globalised business world, it is just that they are too lethargic in planning and implementation. The primary research interviews, however, did indicate that the locals were living in a comfort zone – *the status quo*. Currently, the price of oil is hitting record highs, there is a hefty surplus on the balance of payments and national budget and the standard of living facilitated by working in public sector organisations provides the security that is required. This perception of the idealised society is false, but the locals can't bring themselves to recognise this. The period of nation-building is over and so too is the time when the oil wealth alone could ensure the prosperity of the region, as well as insulate the area from the impact of external forces such as globalisation. The research methodology here will focus on social and cultural constraints against change and reformation, and it achieves this by looking at certain sectors of the indigenous population.

The government's programme for the achievement of 'nationalisation' is well documented (See Looney, 1992, pp.-72-86; Shaban, et.al, 1995, pp.65-82; Mellahi & Al-Hinai, July 2000, pp.170-190; Abdelkarim, 2001; Al Haddad, 2000, p.14.)

and the issue is regarded as being straightforward and uncomplicated. It has been argued above that the strategy suggested is rather too simplistic and certainly not straightforward. The proposed scenario is largely based upon increased skill acquisition for the indigenous population and the realisation of a transition of nationals employed in the public (government) sector to the newly expanded private sector. A process that is referred to in UAE as 'nationalisation'. The strategy of government has not been focused on the three issues highlighted above which will provide the starting point of a more realistic strategy to reduce the numbers of expatriate workers. The problem of the employment and employability of nationals will be examined with reference to both primary and secondary research, the solutions recommended for the mid and long term will be analysed and a critique presented of the suggested strategies will be expressed. This chapter therefore has two principal objectives:

1. to collect and analyse data by the use of primary and secondary means to study the labour market structure and performance generally and particularly within Abu Dhabi (the commercial capital of UAE), and
2. develop the debate on the subject of 'nationalisation' by offering alternative scenarios to those currently being advocated. This represents a contribution to existing knowledge.

Much of the data used in this chapter has been provided by 'TANMIA' (Centre for Labour Market Research & Information) and particularly one-to-one interviews with the Centre's Director, Abbas Abdelkarim, Board member Sultan El-Haji and Ayesha Al Barguthi, Director, Employment and Skills Development Centre. It should also be recognised that the national census in UAE occurs once a decade and takes place on the middle year of the decade; 1985, 1995, etc. Therefore, the official data is dated and can only be used as an indication (or guideline) and that the data provided in this chapter will largely be the result of research by semi-official organisations and unpublished information provided by the Director of the Office of Statistics at the Ministry of Planning.

## **2. Expatriate Labour and Social Research**

Before an understanding of geographical labour migration is gained it, as a concept, it needs to be carefully defined and explained. The research suggests that the issue is far more complex than would first appear and from the interviews particularly, it emerged that there is a clear lack of understanding in regards to labour migration and a cost/benefit analysis relating to the role of migrant labour. The primary research interviews suggest that once the emotion is taken out from the discussion, and replaced with logic and reason, the employment of foreign labour in UAE, as elsewhere, is to be welcomed in the short-, mid- and long-term. Section 2 of this chapter tackles the vexed issue of the positive side of the employment of foreign labour. The chapter itself is the result of an analysis of the responses to many of the >120 semi-structured interviews with locals conducted during the course of this study and relating to the use of foreign labour and its implications and misconceptions. Firstly, however, here is a standard definition of 'geographical migration':

“Migration is the relocation of a person’s habitual domicile from one geographical location to another.” Tobler (1979) pp. 41-46.

In the case of the Gulf, the migration has been for economic reasons and the ‘migrants’ have not integrated into the host society. Although some may want citizenship of UAE, but for the most part, these ‘economic migrants’ wish to return home to their country of origin and to their families. As one foreign worker said “We don’t belong here, we just work here for as long as we are wanted, then we get our ticket home.” (One of the foreign workers for Al Shoumoukh) As a generalisation, it is reasonable to assume that most of the foreign workers accept that the work in the host country is for the short term only.

The phenomenon of expatriate manpower arose as a result of the discovery of oil riches in the Gulf region’s move to maximise oil product exports by trying to improve the skills of labour. This process can be traced to the sixties and seventies. The reasons for this ‘migration’ may be economic, religious, cultural, political or social, or a combination of all or most. The best example of economic migration can be seen by reference to the Gulf States. The impetus caused by the initial immigration to the oil-rich Gulf States caused new developments and demographic shifts and culminates today with an expatriate labour force in places of 93 percent and the decline of the national labour force ratio diminishing to its lowest levels. We have also seen that the presence of such a high percentage of foreign workers has led to a segmentation of the labour force into a dual configuration:

1. Public sector with a majority of national employees
2. Private sector with a majority of foreign employees on Residence Visas and fixed term contracts of employment.

This chapter will argue that, in keeping with the working hypothesis and the research questions of this thesis, that contrary to official plans and estimates, formal intervention programmes and public opinion, the continuation of a viable economy beyond the wealth accumulated from the oil revenues, will require more, not fewer, expatriate workers and that the employment of this labour, contrary to popular belief, leads to many positive features to the benefit of the nationals. In addition, the chapter will argue, that there needs to be a cultural shift by locals from seeing foreign workers as those who do the work and nationals who enjoy the benefits (a massive

generalisation but supported even by the President of UAE (*et.al.*) through continuous pleas for nationals to ‘pull their weight’ in building the community of the future. The chapter’s conclusions are also underpinned by the fairly extensive empirical research that has been carried out in the form of semi-structured interviews with national and business decision makers and ruling elite.

This chapter should be seen in the context of the last chapter and it will focus on the UAE (although will draw in examples from other Gulf states) and it is worth reviewing briefly the historic background to the growth of foreigners resident in the Gulf States. In 1904 in the UAE (which didn’t exist as an entity until the British handed the territory over in 1971), the population was about 80,000, which had grown slowly to about 95,000 in 1948. 1958 saw a decline in population to 86,000, which compared to 166,000 in 1963.

The estimates in Table 9 below were undertaken by colonising powers (Turkey and then UK) and the estimates must be treated cautiously as they were not compiled on proper demographic analysis and census data. Nevertheless, they confirm that the population comprised nationals (locals) and the percentage of foreigners is unknown. The data appears plausible as the final row of the data includes the total from the official first census, which is consistent with the estimates given. At the time of writing (2005), the population is estimated at about 4,000,000 (the next official population census is scheduled for 2005, but the results will not be published until mid-2006.).

Before the departure of the British in 1971, the Trucial States Development Council organised the first population census in 1968. The total population then was approximately 115,000 of which 36.5 percent were non-nationals.

**Table 9                      Estimated Population Data UAE 1904-1968**

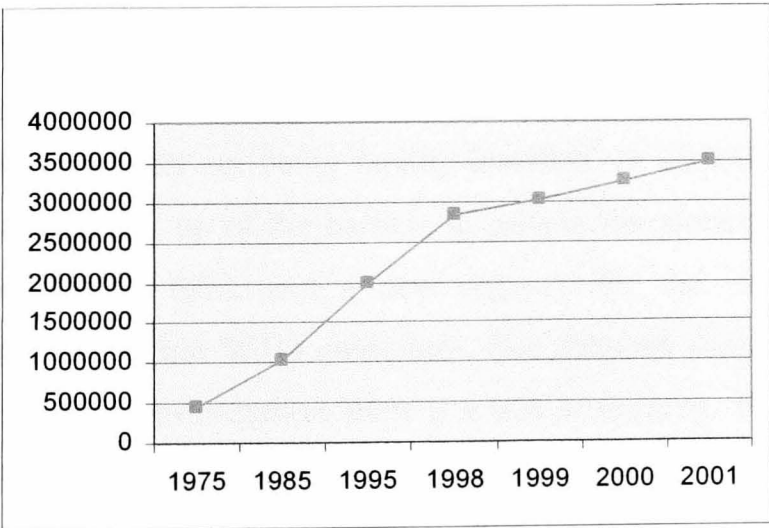
(1968 first official population census)

1904	80,000
1948	95,000
1958	86,000
1963	99,000
1968	114,033

Source|: Dr Ahmed Ali Al-Haddad, December 2000, p.12.

Table 9 indicates a large degree of stability over six decades with relatively slow growth. This stands in contrast with the demographic data post-state and represented in Table 10 and Table 11 that represents the official data based on the various censuses and official returns. Remembering that the last official census was in 1995 and the data listed beyond this date, although official from the Central Statistical Office of the Ministry of Planning, must be treated with some caution. But when the total population is compared with the percentage of non-nationals in the total population, a different scenario emerges from Table 9 and we see that the incremental rise in population is consistent with the rapid influx of foreign workers. All the population data includes (unless otherwise stated) all citizens and **foreigners with residence visas at the time of the census**

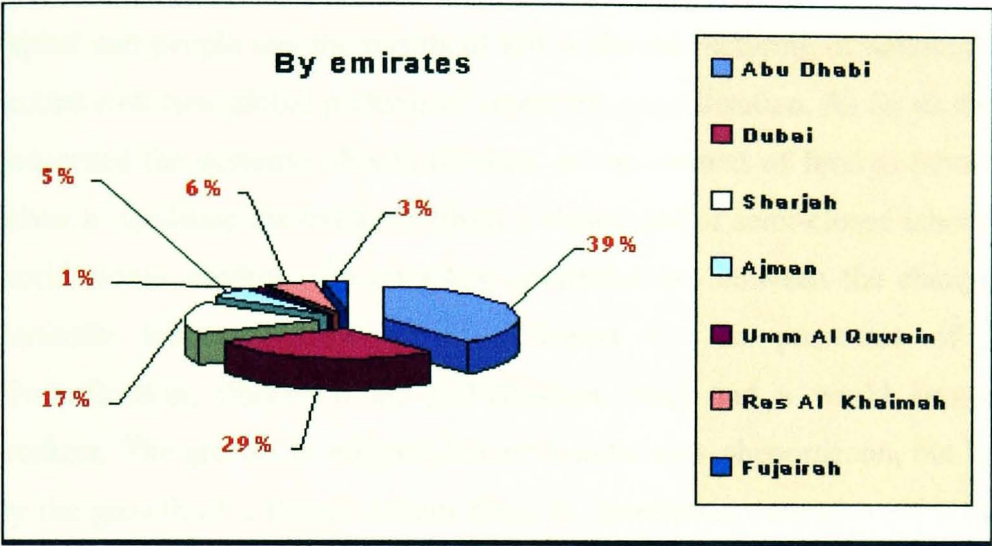
**Table 10                      Actual Population Data – UAE, 1975-2001**



Source: *Annual Statistical Abstract*, 23/24, 1998/1999, Ministry of Planning, Table 2/5, p.36

However, 68 percent of the population reside in just two of the Emirates, Abu Dhabi (the commercial capital) and Dubai. If Sharjah is added to these two the total jumps to 85 percent of the population that reside in only three of the seven Emirates and this is shown graphically in Table 11. Abu Dhabi, it was revealed in the key informants interviews, provides generous financial support to the other four ‘Northern Emirates’.

**Table 11      Total Population within UAE (1995) By Emirate**



The talk among locals, and those who were interviewed for this study, is of shifting from quantity to quality in education, of employing more local and less foreign labour, of freeing private industry from state control and generally scaling down the role of the state in political, social and economic affairs. The key informants also spoke about t making the activities of the state more transparent. In this, we can see that the Kingdom of Bahrain is the trendsetter when in March 2001 the Emir organised a referendum, which returned a 98 percent in favour of ‘democracy’. His Highness (now His Majesty) has acted on this result and the instruments of the separation of powers are being rapidly installed. In addition, generally in the area, there is an opening up of the barriers to private investment (Saudi Arabia probably leads the way in this), and a new urgency for the establishment of regional integration, but within WTO guidelines. But although there is consciousness at the need for all this transformation, there is a lack of urgency. The *status quo* is the more ‘comfortable’ option. Official reports fail to grasp the inevitable (and inexorable) solutions to predictable problems. Over 40 percent of the interviewees came across in their attitude to foreign workers as intrusive and unsettling and that the foreigners were seen as ‘invading’ militia intent on sharing the benefits of citizenship. Others



(23 percent) came across as possessing a form of xenophobia, which can be perceived as based on insecurity and fear. We can see why, for both of these groups that the *status quo* is a comfortable position to perpetuate. Very few of the interviewees saw the trend in psychological, or even economic, terms due to “the erratic progress of globalisation” (Harris, 2001, p.1.) - the opening up of national economies to flows of trade, capital and people and the results of this is the restructuring of national economies to accord with new global patterns of economic specialisation. As far as the Gulf area is concerned the scenario should be seen, in the context of foreign labour, as being a driver to facilitate the transition from a closed and/or semi-closed labour market, to a world labour market with on-going contradictions between the changing nature of domestic labour demand (itself reshaped by the processes of privatisation, diversification, liberalisation, globalisation, etc.) and a world supply of mobile workers. The growth in migrant labour is not a new phenomenon, but it is facilitated by the growth of a literate labour force in developing countries (of Asia, Africa and India), by a radical decline in transport costs and no less radical reforms in the ‘sending’ countries releasing large numbers of workers for foreign migration. In UAE, China offers a vivid illustration of this new migration and Russia before it.

The interviews (Overwhelmingly held in UAE) were frequently characterised by discussions relating to the ‘old order’ where the political boundary was assumed to coincide with the economic boundary and the economy was relatively self sufficient. Oil was the ‘cash cow’ and neither the balance of payments, the inflow of foreign capital nor the build up of foreign labour was important. The theory was one thing that most has some vague knowledge, but practice was much different and the production of oil was the lynch pin upon which the whole economy rested. However, in the new emerging order, national output is the product of world interactions and none of the GCC governments can aspire to retain the outmoded concept of self-sufficiency. In either the production of goods, services and capital; rather each government is concerned with managing flows that start and end beyond its authority and often (if the interviews are anything to go by) its knowledge. Such a system is beyond the experience of the Gulf States and it requires growing mobility, flexibility – of business people, students, tourists, consultants and consumers. Above all, in the field of the supply of labour, economic expansion will have to be sustained by an adequate labour supply, and this means having to recruit transient labour abroad. It

also means manpower planning (which the primary research has shown is presently rather neglected), that is estimating future demands for labour, skill level requirements and setting of quotas – that is the number of foreign workers to be admitted in a given period for a set time. (See the 'Gap Analysis' in Chapter One)

However, for the nationals in UAE, there are a number of benefits involved in increasing the supply of foreign labour, as opposed to taking the official line and reducing it year on year. These trends include:

- An increasing proportion of working life (15-60) is becoming devoted to education and development for nationals. For example, the present government in the UK has the objective of sending half the age group, 18-30, to university in the immediate future. This has the effect not only of reducing the available work time, but also of radically cutting those numbers who are available for jobs not requiring a university education. One key informant <sup>(from the Abu Dhabi Municipality)</sup> confirmed that the UAE government has similar aspirations and the implications of this strategy are that the university education will be for all nationals who would benefit from this tertiary education. The economy does not need employees educated to university level, construction and service sectors for example, will have their aspiration raised by the official policy, but if/when the number of foreign workers is reduced, there will be insufficient workers available for these other jobs. This will lead to economic stagnation, if not decline, in the broader economy. It follows (firstly) that if more locals are going to attend university for a three/four year course, then they won't be available for work in any sector in the UAE economy during this period. The foreign workers will be best placed to 'fill in' whilst the locals are away studying. Secondly, if the locals are educated to tertiary education standard, they will expect to attain jobs of at least middle management level. We are therefore back to the conundrum of who is going to do the jobs in the agricultural, construction, manufacturing and service sectors at manual and menial levels?
- With growing prosperity, higher career aspirations for nationals, fewer jobs in the public sector due to downsizing and privatising, increased educational

opportunities available, etc. the working life, year, month, week or day will all tend to diminish.

The trends noted above, in some cases accompanied by high levels of unemployment for locals (and especially long-term unemployment), symbolise a mismatch between labour demand and supply and, according to Harris, <sup>(2001, p.3.)</sup> it is the shortage of low skilled workers that will be most often missed. Workers who are today represented by the labour migrants from Asia and Africa in the fields of cleaners and maintenance workers, support services, the retail trades, construction, transport, domestic and caring services, etc. The task is to make labour for such services available to the population of UAE at large, without requiring the imposition of taxation (either direct or indirect) for sections of the community. There is some discussion currently that the government is considering a form of purchase tax (VAT) to be levied, a move which will be most unpopular among nationals. If this materialises, the burden will fall on employers (who supply food, accommodation, etc. for their workers) for and, in turn, impose a disincentive to investors and an inhibiting factor in the competition for FDI.

On the other hand, there is much evidence generally <sup>(Harris, 2001, p.4.)</sup> and the local primary research for this study specifically, that unskilled immigrants do the jobs which the nationals, even if unemployed, are unwilling to do (“this is my country, and I choose to do the job that I want...”, was a common reaction); foreign, low skilled workers are not in competition, but they enhance the position and status of the nationals. Availability of foreign workers serves to raise development opportunities for national workers, and the availability of foreign unskilled workers increases the demand for local supervisors, foremen, middle-managers, skilled workers and technical staff, thus facilitating the vertical social and occupational mobility of nationals. None of the nationals interviewed here has considered the multiplier effects of foreign workers on the economy – on demand for accommodation, furnishing, foodstuffs, transport, clothing, etc and so stimulating the domestic markets. In summary, foreign workers do not undermine the economy or the culture, but they are the only workers available to enable nationals to sustain their living standards and status. We have already had an example of a young local girl whose father prevented her working in a large five star hotel because the hotel served alcohol. The researcher also interviewed a graduate female local who wanted to take up medicine.

She said that she had wanted to be a doctor since she was a small child but, after graduation, she discussed her career objectives with her parents and was saddened at the response. Her parents dismissed her ambition by saying simply “This is not the job for a woman. You will have to attend to male patients and this is not what I consider appropriate.” This interview was one of the primary research interviews with 20 female team leaders employed by the National Oil Company.

These examples of the practical consequences of the local culture are not rare. In most cases, the conventions are made known in the process of socialisation by the family, long before the person reaches university age.

Let us broaden the focus of this analysis from labour to patterns of consumption. Foreign unskilled workers in agriculture, for example, ensure fewer imports and the survival of small national farmers who received their land as a grant from the government as part of the government’s programme of privatisation coupled, by the late President’s wish that locals should benefit from the wealth of the country. They also facilitate the sale of their production at prices lower than if the labour would be more expensive. The primary beneficiary of these lower prices and increased production is the poor of the nation (nationals as well as foreigners), who spend a larger proportion of their income on food). Foreign workers in manufacturing, construction, public transport, service sectors and so on have similar effects on the socio-economic base of UAE. National women are able to undertake paid employment outside the home if there is plenty of low-cost housemaids and child-minders available. Indeed, the wealthy nationals frequently live in compounds together with their extended families and shared facilities. One primary research interview was most revealing in that there were 14 families living in a compound and 37 ‘domestic staff’ were employed full time and lived in – all except a handful were from the Indian Sub-Continent, the remainder was from the Philippines. According to the interviewee, not one spoke Arabic and only a few spoke and understood English. But these 37 foreign workers were doing jobs that locals would never agree to do. I was also assured that this example is by no means exceptional. The interviewee claimed; “I never, for one moment, the thought of employing locals at the level of housekeepers, cleaning and maintenance staff, gardeners, etc. I have an ‘Executive Housekeeper’, who runs things and knows what the needs are, and he is the one that I communicate with – not all the others, they just do their jobs and are

supervised by the Executive Housekeeper. I provide for their accommodation and food.” (Managing Director of an offshore supply company).

A further point in the analysis of the benefits of employing foreign labour relates to the long term. We can see in the example above that the bulk of the 37 foreign workers were from the Indian Sub-Continent, as distinct from Africa. They were all males and accordingly as low-level foreign workers on fixed term contracts and employer sponsorship, they are not entitled to bring their families with them. Low skilled workers who travel without their families have always tended to return to their country of origin and to their families, <sup>(Harris, 2001, p.5.)</sup> and they work abroad primarily to strengthen their position at home. Anecdotal evidence seems also to support a contrary view for a minority of higher-skilled foreign workers: that these ‘mobility opportunities’ are seen as ‘ladders of career opportunities’ and they will not return until they have ‘climbed’ as high as they can in the circumstances of their contracts. For these, employment in UAE can be seen as being an important part of their career development and the process of enhancing their skills; rather than an opportunity to ‘earn’.

The immediate concern of the nationals interviewed was, primarily, the fear of being swamped ‘by foreigners’, rather than the needs of the economy in a period of growing globalisation. However, let’s have a look at what revisions to the practise of the employment of foreign labour are possible.

- That the employment of foreign labour with the level of skills to put the ‘*right*’ worker in the ‘*right*’ job and that this should be a temporary position and this ‘fact’ made known to the job applicant prior to his departure from his country of origin. This will apply to all skill levels and to all ‘length of stays’. The assumption is that all foreign workers would expect, at some stage, to return home, and nothing should be done to either raise their expectation that they will be working into the long-term or that nothing is done to lower their commitment to return home. However, unlike the position currently, insecurity will be removed. At this time, employment contracts are usually given for a period of two years with a ticket home at the end of this period. However, the termination of the foreign worker, whose dependents have come to rely on his income, can be activated at any time and a ban inserted on their passport preventing them from returning to the country within 6 months. If the individual has provided good service for the two-year period, but his services are no longer needed, then a ‘resettlement bonus’ can be considered and also the opportunity to transfer their job from the one that has just been terminated to one that is in need of compatible skills. This rarely happens today in UAE, or indeed, anywhere in the

Gulf area. Applications for extensions to the visa conditions should be considered sympathetically, and should not be at the sole discretion of the past employer.

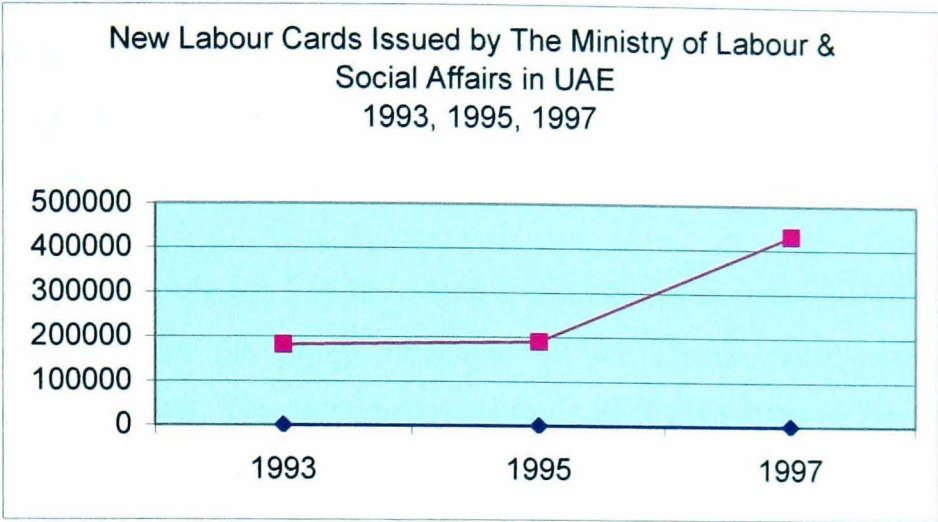
- These applications from the foreign worker will be determined by economic need and is first and foremost a response to labour deficits (even if it may be triggered by 'push' factors) so that generally migrants move to previously identified jobs, or to agents who have identified job vacancies. Therefore, in these circumstances, foreign workers have a record of having very high rates of participation and unemployment is almost non-existent. Accordingly, it is suggested that the expansion of labour permits and resident's visas should be designed to eliminate irregular worker's applications. However, this cannot be done through government controls based on estimates of future labour demands. Not only will such estimates be faulty in a dynamic economy, but also the end of annual quotas and targets will lead employers to assess market forces for workers and the level of skills required, and that is where the knowledge and skills for assessment should be vested. This in no way feeds the xenophobia of nationals but, as we have shown above, creates more opportunities for nationals to develop and increase their status in the community. This suggestion, designed to lower the protectionist current policies does, however, fall within a framework of government supervision and should ensure that pay and conditions of work do not undercut alternative local labour supply.
- In general, the present position with regard to the employment of foreigners, with the exception of the most highly skilled, is opaque and costly for the authorities. Criminalisation often results unintentionally followed by deportation and banning and this occurs in an area where real labour shortages are happening which can be matched by the immense diversity of those offering their labour, and at wage levels which reflect not their true worth, or even of the scarcity of the skills. But the criteria are those of the wage levels in their countries of origin, not of the scarcity worth of their labour. The protectionism displayed here, as elsewhere, is directed toward trying (as we have seen above) fruitlessly to capture mythical benefits for nationals at the cost of the civil rights and dignity of the workers (in accordance with ILO principles). The general problem here is that, in economic terms, the foreign unskilled and semi-skilled workers are seen as a burden, their work being perceived as having a negative price. Out of >100 interviews, 91 interviewees suggested that it is essential "to get rid of the foreign workers as soon as possible". One interviewee summarised this position; "They serve a purpose", he said, "what would we do without them at the moment. But the time will come when we will be able to replace them with locals and they will be sent home." (Business Development Manager) Clearly, this is an emotional comment and not one which demonstrates very much logical thinking. Taking it at its lowest level (that of housemaids), how can the women go to work and raise a family, with no housemaids and childminders to look after the children.

- **Recommendations**
  - It is necessary to install a transparent system for the control of foreign labour, particularly in the low-skilled areas, but without undercutting the locals offering to do similar work. This system should be transferable – that is based on the offer of a job, but not rooted to the one position or one employer. The labour permit can be transferred between jobs, as long as there exists a ‘local’ sponsor.
  - There has to be attitudinal changes and an assurance given (top down) that foreign labour will be to the benefit of nationals who will not be swamped by the presence of a foreign labour force. The laws of supply and demand will operate and a ‘return’ to families back home is the ultimate objective. Similarly, nationals must be persuaded that unskilled and semi-skilled work is in no way a blemish of the character, as the late President argued, the primary purpose of a citizen is to contribute to building the community.
  - The issue of remuneration and benefits must be tackled in accordance with the principles laid down by the International Labour Organisation. Workers (whether foreign or local) must receive remuneration that properly reflects the scarcity value of their services. The benefits that are currently being paid to nationals (for example family allowances in the public sector) should be taken out of the salary structure and transferred to the authority of a different social affairs agency. The result will be that two people doing the same job involving the same skill base will receive the same remuneration and that differentials based on country of origin will be eliminated.
  - That the foreign labour should be welcomed as an opportunity for locals to be upwardly mobile by increasing their training and development.
- Remittances from the workers to their dependents abroad must be expected and facilitated and the employers should seek to ensure that the workers return to their countries of origin at the end of their contracts with enhanced skills and experience. Nothing should be done to reduce the social embeddedness in the ‘home society’ so that frequent visits ‘home’ are organised and facilitated (now it is usually once every two years) and also the families are encouraged to receive family visits.
- Basically, the objectives of the points listed above are to reduce the complexity and cost of the present system of the employment of foreign labour together with the elimination of the current system of brutalisation and marginalisation. This is particularly so in the employment of unskilled labour (such as housemaids and the manual labourers associated with the construction trade).



**Table 12      New Labour Cards Issued by UAE Ministry of Labour and Social Affairs**

*Annual Statistical Abstract, Issue 23/24, 1998,1999, Ministry of Planning, Table 3/29, p. 99.*



Notwithstanding the hostility displayed by locals towards foreign labour, the employment of these foreign nationals continues to increase.

Table 12 highlights in graph format the increase in the number of new labour cards issued to foreign workers. It will be recognised that in Emirates such as Dubai, 2002 proved to be a record year with the number of new foreign workers recruited in the year doubling the previous highest yearly figure. One can extrapolate from the 1997 figure and draw a straight line to the estimates for 2004, and it will produce an almost vertical line, and still the demand is there for more foreign labour.

**3. The Corporate Sector – Catalyst for Change**

Contrary to the official view, diversification and privatisation will lead to more use of foreign labour, not less, in the new emergent private sector. An attitudinal change among locals to accept non-government jobs is a high priority and the President of UAE (and the Crown Prince of Dubai, as we have seen) is continuously pleading with its citizens to play their part in the development of the Nation, and this includes the place of women in occupations, in addition to, but outside their roles as wives and mothers. It is a contradiction in terms to advocate the expansion of more jobs in the overmanned Public and Government sector, whilst promoting privatisation, diversification, the attracting FDI, and the establishment of more economically liberal regimes and the open markets of the WTO and globalisation. Membership of the ILO brings not only rights, but also responsibilities and these include the responsibility to treat all workers as equal, including women and foreign workers. Few of the 100 plus key informant interviewees actually accepted this view and the frequently heard



comment was; “If the expats (Sic) don’t like the position, they can go back home.” (86 per cent) A position, which completely disregards the essential need for cheap labour, the undersupply of local labour, the reluctance of locals to relocate in the private sector and the profit motive that drives investment by FDI.

This chapter advocates change and its attendant transformation and renewal. But it does not advocate that the proud traditions of the Islamic states should be compromised in any way. The *Holy Koran* contains all the solutions to the present problems: cooperate, understand, be creative and innovative, be honest and open, be trusting and loyal, be participative, etc. The Koran actually urges those who determine change should involve those who will be affected by the implementation of the changes. The vision statement of Saudi Arabian Airlines comes to mind: “To become a world-class airline, whilst retaining our traditional culture’, and a recent article by HRH Prince Khaled Al Faisal Bin Abdul Aziz Al Saud stated explicitly:

“If we want to take part actively in the new global thinking and participate fully in the running of our world then we should be rigorous in our endeavours and in applying our knowledge but also *we should be faithful to our principles*” (HRH Khalid Al Faisal Bin Abdul Aziz Al Saud, 2002, p.14. Prince Khalid wrote this article after attending the World Economic Forum in New York in February 2002.)

This statement, by a ruler in the ‘conservative’ (Fundamentalist?) Saudi Arabia, stresses the view that there is no incompatibility between following the dictates of the Holy Koran and participation as a player and a global competitor. Indeed, far from accepting any incompatibility between the principles of Islam and modernisation, HRH Prince Khalid goes on to say in relation to globalisation and change:

“I feel that this is the way towards modernisation and, equally, the way to participate and compete on a global level. We can always strive towards a better, more creative and beneficial future. ... A nation which does not develop itself, on a regular and continual basis, will fall by the wayside against the accelerating advances of our time.” (HRH Prince Khalid, 2002, p. 15.)

This theory of ‘creativity’ and ‘globalisation’ is, in fact, reiterating concepts included in the Holy Koran alongside the need to treat all staff with dignity and respect. Hamdan <sup>(2003)</sup> provides numerous examples of the Koran pre-empting good

management principles in relation to valuing the contribution of even the lowest member of staff:

“Management by objectives (See Drucker, 1986) which is one of the latest approaches to management has been initiated by the Koran long ago. This approach rests on subordinates’ participation in the decision-making. The leader has to be what is regarded now as a democratic leader to incite participation in decision-making and in setting objectives to reach a decision through upwards communication from followers to the leaders...” (Hamdan, 2003, p.209)

When questioned on this point, 84 per cent of the interviewees stated that they would “not consult foreign worker” as part of the decision making process.

#### **4. The United Arab Emirates and Change**

More than most other societies, both within and beyond the region the seven emirates which comprise UAE have been subjected to rapid development based on the oil wealth accrued in the last 30 years or so. This wrenching change has been the most radical endured by a nation in living memory. Aspects of this include the fastest population growth; the most rapid urbanisation, the biggest influx of foreigners and approximately 20 years increase in life expectancy. Education, once the preserve of the very wealthy families, who could afford to send their boys abroad, is now universal and free. Health care and housing is now heavily subsidised and of a high standard. Literacy has gone from being minimal to over 90 percent. The economy cannot depend indefinitely on the turbulent nature of this main source of income and wealth. Increasingly, there is the need for foreign direct investment and economic diversification (new markets new products), and ‘knowledge workers’, all essential within the global commercial environment. Diversification requires investment in the private sector and therefore with a centrally controlled economy, the government has set up the mechanism for the privatisation of many of its assets, which recognises that the foreign investor has only one principal motivator for investment – that is profit. In UAE, in 1999, locals constituted just 7 percent of the labour force in the private sector. (Abdelkarim, 2001. pp.1-2. Mr Abdelkarim is the Director of Tanmia –The official Centre for Labour Market Research and Information, which advises on the employment of nationals.) By extension, that means that at present, expatriates represent 93 per cent of the labour force, a significant majority that cannot be ignored. The attraction for FDI in UAE is manifest, but investors are

not interested in paying inflated salaries and terms and conditions to nationals when they could reduce their labour costs (or avoid capitalisation) and increase profit by investing elsewhere where there is abundant cheap labour without the imposition of this 'social overhead capital'.

## 5. The Foreboding Background

The demographic hierarchy of the UAE has reversed itself over the last few decades that coincided with low and middle level jobs being created by the oil wealth. In the first official census the ratio of nationals to non-nationals was 63.3 percent, which had shrunk to 24.9 percent by the time of the last census in 1995. This means that in the official census data in 1995, for each UAE national there were three foreigners. But the domination of foreigners in the labour force has been greatly intensified since then. If, as Abdelkarim suggests, the expatriate contingent in the private sector labour force is approximately 93 percent, this translates to approximately only one in ten of the labour force is a national. This also pays no regard to the 'black economy', which many of the key informants referred to as being 'fairly substantive'.

The problems of nationalisation, particularly in the private sector, have led to considerable debate over the last couple of decades. The very nature of the concern expressed in the primary research interviews is indicative of the problematic nature of creating a local labour force. Indeed, Al-Haddad sets out the problem as seen from the perspective of the Minister of Labour and Social Affairs:

"This is a critical imbalance and should be rectified urgently. Also, it is evident there from that the Asian employees are the majority over all other nationalities with a percentage of 87.1 percent. The Indian sub-continent is the dominant labour supplier. The Indian employees form 53.3 percent of the total man (power) force. ... most of the employees who were brought in at the inception of the Federation were illiterate and did not fit in the UAE society anymore. The situation needs employees of particular quality enjoying civilised and educational levels ... The ratio of illiteracy among the expatriates is high as most of them are illiterate or having little education, which could lead to low productivity." (Al-Haddad, 2000, pp.14-16)

What is missing from this statement is the type of jobs that are being held by the foreign workers. Here, the bulk of foreigner work in the private sector, working in

unskilled jobs like manufacturing and construction and market forces dictates that the private sector employs this cheap labour source to reduce costs and increase profits. The foreign labour would not be employed in this sector if there was, as Al-Haddad suggests, a trend for 'low productivity'.

None of these existing publications adopt a holistic view and they attempt to analyse the difficulties by looking at the dynamics and tensions at work internally without making the appropriate reference to external forces – such as 'globalisation' and the impact of organisations such as The World Trade Organisation (WTO) and The International Labour Organisation (ILO) on internal intervention and policies. This chapter not only adopts a micro-economic and social approach to seek out the 'root cause' of the problems (indeed, if it is problematic at all), but it looks beyond and attempts to offer alternative scenarios as a direct consequence of the impact of the GCC countries positioning themselves as players on the world market. It is interesting that in the research commissioned by the UAE government, Abdelkarim writes; (Abdelkarim, 2000, p.2.)

“All the GCC countries have developed nationalisation policies with the aim of providing more job opportunities for their nationals who, due to competition with foreign workers, have opted to seek employment in the public sector. The concern of governments is that public sector jobs are not expanding at a rate commensurate with that of an increasingly educated national labour force and that private sector employment has become the unchallenged domain of foreign workers. It is the concern that has dictated the publication of this (government initiated) report.”

Abdelkarim did not actually go far enough. Three points can be added. Firstly, the public sector is already heavily over-manned and some public sector organisations will have been earmarked for privatisation (government policy). Preparation for privatisation will usually mean a 'downsizing' of about 30 percent. The second point is that locals are not in competition for the jobs occupied by foreign labour, locals refused to relocate into these jobs. Thirdly is that '*wasta*' (influence) which is still a weighty consideration in the recruitment process for public sector organisation, rather than 'the best person for the job'. The evidence for this is overwhelming from the empirical research. As one interviewee from the National Oil Company said in

interview: “I got this job because I am a local, I am a qualified aeronautical engineer, but I am working as a coordinator because a vacancy existed in this section. They would never have appointed an expatriate to this post given the same circumstances.”

(Senior Coordinator in the National Oil Company in interview.)

However, ‘this bubble’ is about to burst in the run-up to the programme of privatisation. In the process of preparation for privatisation, consultants will inevitably be looking for cost reduction and the staffing payroll will be one of the first areas to be cut. As the public sector has an overwhelming majority of locals on its payroll, locals, for the first time, will be the targets for redundancies, but few planners have looked ahead to this essential process. (See the example of ADWEA on p. 232 below.)

**Six points emerge from this brief scenario (which will be endorsed by data below):**

1. That the public sector jobs are monopolised by nationals because this sector provides a higher level of job security, greater job satisfaction, higher salaries and more attractive benefits.
2. Culturally, UAE nationals are loathe to work in the private sector and particularly in unskilled jobs within the private sector.
3. It is not competition that forces nationals into working for the public sector, but rather the more beneficial working conditions, benefits and social status.
4. That although the private sector, and particularly the service, manufacturing and construction industries, pay much less than public sector employers and fewer benefits, the working conditions are still far superior to those that prevail in their countries of origin. The foreign workers take their countries of origin, and not the UAE, as their reference points.
5. Abdelkarim notes that public sector jobs are not expanding rapidly enough to employ all the skilled nationals. But he fails to mention that predictably that the public sector will be declining (fewer jobs available) due to the need for privatisation and diversification.
6. Most public sector (government) departments use Arabic as the ‘business’ language (e.g. civil service, police, etc.) Few foreign workers actually speak Arabic fluently enough to hold down a job in these services. (This applies even to expatriate Muslims where Arabic is the language of prayer).

Language, therefore, is a major inhibiting factor in the employment of expatriates in the public sector.

However, locals may find that jobs in the public sector are not as secure as it first seems. We have many examples of high levels of redundancies following privatisation. In Britain there are the examples of British Telecom and British Airways, but closer to hand, there is the Bahrain Telecommunication Company (Batelco) which was the monopoly telecommunication company in Bahrain; which is the Bahrain equivalent of Etisalat in UAE. Batelco was very progressive in downsizing the number of expatriates it appointed and had a payroll of about 3,000 staff. The government issued a programme of deregulation for Batelco which opened the telecommunications industry up to competition. In response, Batelco appointed consultants to 'Re-engineer' the company and make recommendations for cost-reduction. As a result, one third (3,000) of its staff were terminated and most of these were locals. The few expatriates that were employed, come into Charles Handy's category of 'core' staff, and these are essential and cannot be replaced easily by locals. (See Handy's Shamrock Structure, Chapter 1, Figure 6.)

## **6. The Official Response**

The concept of 'nationalisation' is vividly expressed and understood in the Gulf. For example the aims of the Development Plans of the GCC countries are;

“...to replace expatriates with appropriately qualified and willing local labour in all sectors and at all levels to provide an adequate labour force for the future growth and development of the non-oil, non-government, sector of the economies...”

Elsewhere, Abdelkarim defines nationalisation as;

“A multilevel process through which dependency on the expatriate labour force is reduced and Nationals are prepared to take up jobs performed by expatriates. Such preparation entails enabling nationals to perform their jobs equally as good if not better than expatriates in the shortest possible period.”  
(Abdelkarim, 2000, p.9)

This aim adopts a number of different descriptions, such as ‘localisation’ and ‘emiratisation’ as well as ‘nationalisation’, but essentially the above definition covers the problems of the transition from skilled, semi- and unskilled foreign labour to increased employment of skilled local labour and greater reliance on capital investment and technology to replace, as far as possible, the cheaper option of employing unskilled labour mainly drawn from the Indian Sub-Continent and the Far East. It would appear that in Abdelkarim’s definition, the problem is defined principally as one of skill shortages among nationals, but there is just a hint of the reluctance of nationals *being prepared* ‘to take up employment’. The key to the solution is not a question of skill shortages among nationals; it is more of “a change of mindset” (as H.H. Sheikh Mohamed of Dubai expresses it) – a cultural and attitudinal change.

The ‘concern’ over nationalisation of the local labour force is centred on three key factors.

1. That since the mid-1980s the price of a barrel of oil has proved to be most volatile and has fluctuated somewhere between \$70 and \$8 a barrel. In these circumstances, GCC countries have largely operated a budget deficit. In 1997, the average budget deficit to GDP in GCC countries was 4.7 percent and one year later the price of a barrel of oil fell to \$8. (Mellahi & Al-Hinai, 2000, p.177.) In Saudi Arabia, the contribution of crude oil exports to the national economy has shrunk from an estimated 70 percent in the 1970s to around 35 percent today. (Economist, Vol. 362, p.7.) Bahrain and Dubai (a semi-autonomous emirate) remain prosperous with oil exports that account for less than 15 percent of their GDP (as a result of diversification) and Qatar, Kuwait and Abu Dhabi have such small population relative to their hydrocarbon resources, and a major accumulation of overseas assets, that they can depend on oil to sustain them for some time to come. Available data for the first half of the 1990s indicate that remittances abroad by foreign workers exceeded \$15 billion in Saudi Arabia and \$3 billion in Oman. (Economist, Vol. 362, p.178.) A major drain on all GCC economies.

2. Secondly, although there are no reliable official unemployment data, it is generally accepted that it is becoming harder for nationals to find jobs.<sup>(Mellahi et al, 2000 p.178.)</sup> Unemployment is estimated to be somewhere in the region of 20 percent and with a soaring birth-rate in the UAE of about 8.8 percent per annum (see Table 10 above) and with about half the national population under the age of 15 years, it will be increasingly difficult for locals to find jobs
3. The oil bonanza of the 1970s and early 1980s stimulated the growth of the public sector which reached a peak in the mid-1990s where no less than 65 percent of public sector workers were nationals, and no more than 7 percent of the private sector employees were national workers. By the same token, the oil boom attracted an influx of migrant workers who filled a void in the expansion of the private sector employment opportunities. This can be placed into context by the reference to the raw data. In 1975 there were 44,631 nationals in the labour force in the UAE; 15.2 percent of the total labour force of 293,788. Quantitatively, the national labour force increased by an annual rate of about 5.3 percent in the next two decades – between 1975 and 1995. Despite this rate of increase, the share of nationals in the total labour force fell to 9.1 percent. During the same period the rate of influx of foreign workers was 8.2 percent and their total number increased to 1,214,603 by 1995 compared to 121,291 nationals.<sup>(Abdelkarim, 2000, p.3.)</sup>

## **7. Labour – Demand and Supply**

The employment of nationals in the UAE is fairly unique. Although they constitute a small minority of the total labour force in their own country, they are largely concentrated into one sector of the national economy – that of the public sector. This sector is assuredly certain to decline with the onset of increased global competition, privatisation and the need to attract foreign direct investment (FDI). An example of this process can be seen by reference to the Water and Electricity Authority (TRANSCO). Under the directives of the Crown Prince (now President of UAE) of Abu Dhabi, H.H. Sheikh Khalifa bin Zayed Al Nahyan, the Abu Dhabi privatisation programme focused on power generation and water production. The government has now restructured the utility sector by making the water and electricity sector a



corporation, which served to create a benchmark for the other Gulf States. This was restructured to form three companies; Abu Dhabi Water and Electricity Authority (ADWEA), Abu Dhabi Distribution Company (ADDC) and Abu Dhabi Transmission and Dispatcher Company (TRANSCO). His Highness suggested a number of objectives for this restructuring process: it will serve as a cost-saver; it will assist in the expansion of the private sector; it will increase job opportunities; and will also serve as a diversification drive. (*Abu Dhabi Economy*, 2002, Vol. 31, p.22.) Effectively, this statement by the present President confirms that government policy is to:

- Reduce costs for the public finance
- Expand the private sector
- Increase job opportunities (in the private sector) for locals
- Encourage diversification.

The privatisation programme in the water industry was stimulated by the depletion of existing water supplies, which has dropped at the rate of one metre every year for the past 30 years “and may soon dry out altogether”. (Aftab Kazmi, *Gulf News*, 27 February, 2004, p.3.) The depletion stems from the fact that extraction of water “far outstrips replenishment as consumption in the UAE, a desert region, and other GCC countries are the highest in the world”. (Aftab Kazmi, *Gulf News*, 27 February, 2004, p.3.) Therefore, there was/is considerable need for capital investment and FDI to resolve the problem of water shortages which has to sustain a ever-increasing local population and an escalating foreign labour force.

The interesting feature of this development is that the ‘privatisation’ did act as a precedent for other areas of state-controlled industry, but whether it created increased job opportunities for nationals is debatable. It is the theory here that one of the objectives set for privatisation, and preparation for such a programme, is the need for cost reduction and the accompanying reduction in the most expensive resource – that of human resources. This is borne out in a private interview; the three sectors combined have about half the number of staff they had when it was first privatised. (Whebe, ADWEA Training Manager, 2001.) (See also the examples given for UK. and Bahrain below.) No mention has been made in the official reports of this process of

contraction of the public sector. This 'contraction' can be seen from the 'supply' side of the job opportunities in the public sector. Officially;

"The problem (the employability of nationals) can be viewed and analysed from three major dimensions." (Abdelkarim, 2000, p.12)

1. Increasing demand for employment as a result of increase in both the population size and labour force participation rate.
2. Unequal competition in the labour market (with the non-national labour force) has led to a preference to, and concentration in the government sector when the private sector is much larger and growing faster.
3. The inadequacy of educational and skill background of the job seekers."

It is pertinent that paragraphs 2 and 3 here seem to be in conflict with the statement made by Al-Haddad who complains that the expatriate workers are characterised by low skill levels and a large incidence of illiteracy (see page 201 above). If this is the case, from where does the 'unequal competition' (in favour of foreign workers) derive? The 'competition' is mostly related to cost reduction and availability and not skill levels.

It is worth reminding ourselves from the '*demand*' point of view that the jobs are there and employers are pleased to offer jobs to nationals;

"The private sector will be rewarded if they employ nationals. They will receive preferential treatment from the government. We are also introducing more benefit for firms that will employ nationals." Source: Dr Abdul Rahman Al Awar, Director-General, Tanmia, quoted in *Gulf News*, 14 December, 2003, p.7

but the cultural forces are strong and the jobs on offer in the private sector generally attract lower salaries, fewer holidays, longer working hours, a lower level of security with fixed-term contracts and poorer working conditions and benefits than that which characterises the public sector. (For example, government departments usually have two days off at the weekend, private sector employees will typically have only one, nationals get permanent contracts and locals get fix-term contracts.)

## 8. A Critical Analysis

This section contains data, which will highlight the scale of the problem of reliance on foreign labour. It will also endorse the view, contrary to official 'visions', that it is highly likely that such dependency on foreign labour will be diminished in the foreseeable future.

Much of the expatriate population is of low-skill or unskilled and reference to the construction industry in Bahrain will highlight the dilemma for employers. The Government set a quota target of 15 percent Bahrainis by 2003. There was considerable resentment to this target by small and medium size construction employers. Sheikh Ahmed bin Ibrahim Al Khalifa of the AL Khayam Construction Company complained that the authorities were failing "to recognise the fact that construction work was not acceptable to Bahrainis". One construction company owner bemoaned; "I have registered all my sons, daughters, aunts, uncles as my employees and as a result I am able to show a 40 percent Bahrainisation. The Labour and Social Affairs Ministry is very happy with me." (*Gulf Daily News*, 14 June 2001, p.3.) Considerably more research is needed to assess the relative position of foreign working vis-à-vis the national workforce in the construction industry, but suffice at this stage to quote *The Economist*:

"In relatively poor Oman, many construction workers from the Indian sub-continent receive half the minimum legal wage that do locals (sic). With labour-exporting countries from India to Lebanon offering an unlimited supply of highly skilled, dedicated workers willing to accept low wages, the Gulf's employers naturally snap them up. And it is not just businesses that think that they are getting good value from expatriate workers, but private employers too. The estimated 3 million domestic servants in the region – all foreigners – often endure conditions equivalent to indentured servitude...." (*Economist*, pp. 12 & 15.)

The 1970s witnessed radical political, economic and social transformations and the federation between the Trucial States evolved into the United Arab Emirates that coincided with the discovery, production and export of oil and petrol-chemical products. In turn, the oil revenues facilitated intensive investments and the creation of the financial and physical infrastructure that served to encourage a mass influx of foreign labour (Table 14). In 1968 the national population represented almost two-

thirds of the total population in UAE. By 1995 this had diminished to about one-quarter. During the period, 1968-75, the national population lost its numerical majority and the annual rate of population growth was the highest in the whole of the post-oil period at 17.5 percent. The non-national population growth over the same period was 27.3 percent. The high influx of foreign workers slowed down between 1975-1980, but was still as high as 16.1 percent per annum.

The crude numbers listed in Table 14 illustrate the heavy reliance of the UAE economy on expatriate labour. If we convert this data to percentages (as in brackets in the table), the results are even more striking. The percentages for non-nationals are 1975, 85 percent, 1985, 90 percent and 1995 (last official census) 91 percent. (The figures have been rounded up and selected percentages given.) Table 14 indicates how the national labour force has been swamped by foreign labour and one must not lose sight of the fact that within these crude data, the labour force is highly segmented.

**Table 13      Change in Labour Force by Sex and Nationality 1975, 1985, 1995**

	1975			1985			1995		
	F	M	Total	F	M	Total	F	M	Total
Total Labour Force	9803	283985	293788	65415	618410	683825	155790	1180104	1335894
Nationals	1086 (11.07%)	43545 (15.3)	44631 (15.1%)	3997 (6.1%)	64322 (10.4%)	68319 (9.99%)	15729 (10%)	105562 (8.9%)	121291 (9.0%)
Non-Nationals	8717 (88.92%)	240440 (84.6%)	249157 (84.8%)	61418 (93.8%)	554088 (89.59%)	615506 (90%)	140061 (89.9%)	1074542 (90%)	1214603 (90.92%)

Source: Adapted from data supplied by the Central Administration for Statistics, Ministry of Planning, 1997

**Table 14      Labour Force by National and Non National Group  
1975, 1985, 1995**

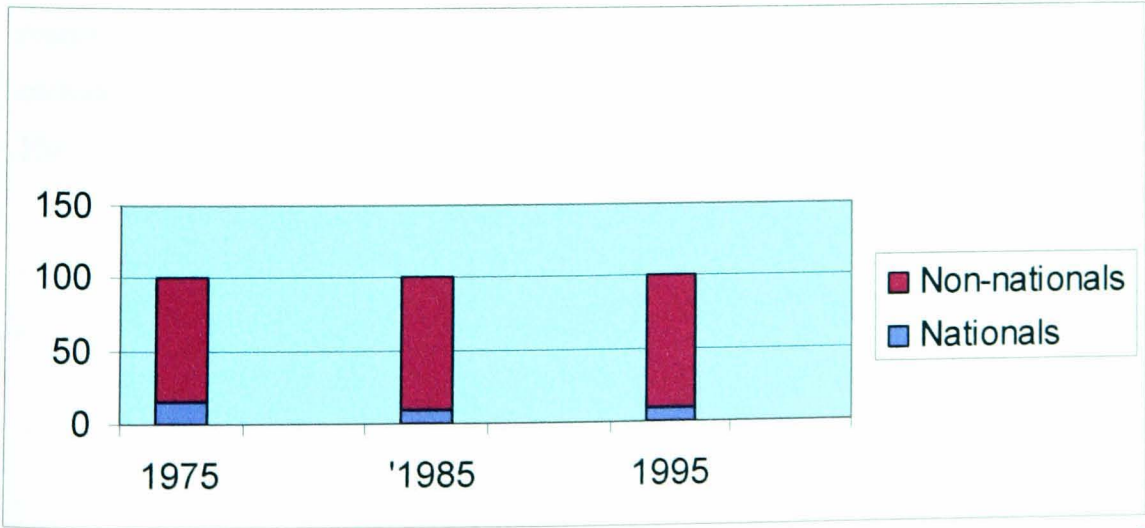


Table 14 graphically illustrates that the nationals in the labour force (blue) were 'swamped' by the non-nationals (burgundy) and their percentage has actually been declining to about 5 percent (According to the official census figures).

The percentage of national women workers is interesting and shows a very gradual increase in their involvement in the labour force: in 1975 national women represented 0.36 percent of the labour force and this increased to 0.58 percent by 1985 and 1.17 percent by 1995. In 1995, however, the non-national women represented about 10 percent of the labour force but, generally, the majority of these were in domestic and service occupations. ( Central Administration for Statistics, Ministry of Planning, 1997.) If one breaks down the figures for women as a percentage of the total labour force by emirate, another interesting feature emerges.

Table 15 clearly shows that the 'poorer' Northern Emirates have a higher percentage of working women than the more affluent Emirates of Abu Dhabi Dubai and Sharjah (combined total is 35 percent of the female labour force in the United Arab Emirates)

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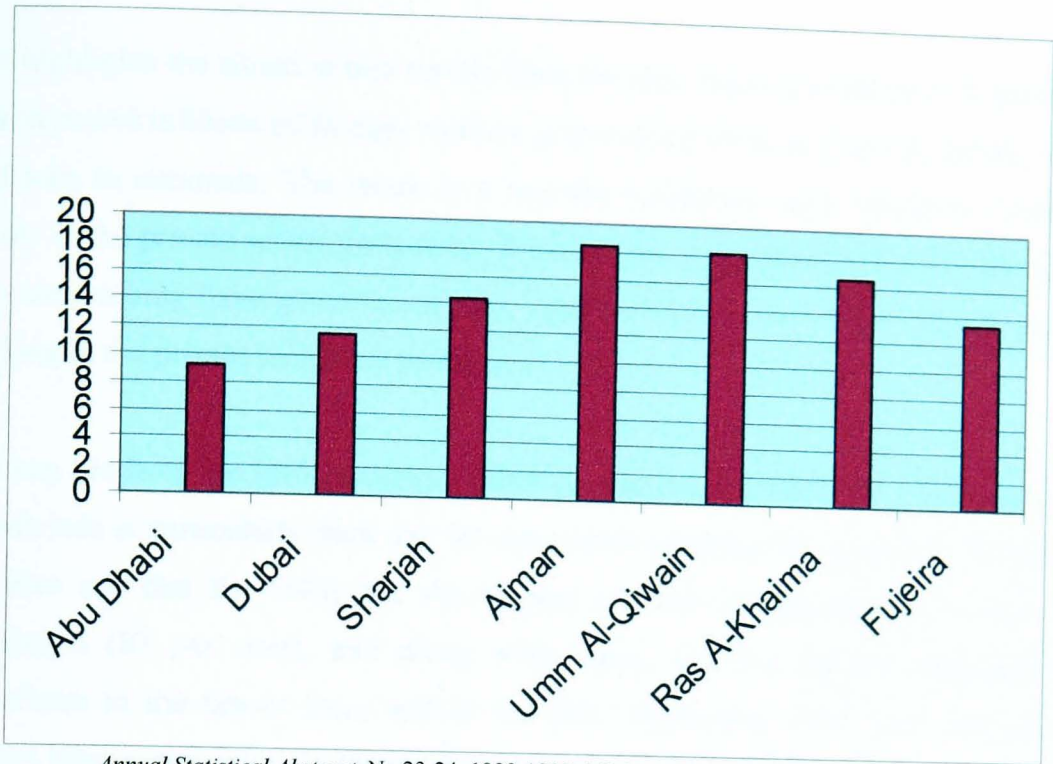
To place this in perspective, the total population of Abu Dhabi in 1995 was 942,463, representing almost 40 percent of the total population of UAE. Dubai 28.6 percent and

Sharjah 16.7 percent, whereas the other four Emirates combined only represents 15.6 percent of the total population of UAE (total does not come to 100 percent due to rounding up). ( Central Administration for Statistics, Ministry of Planning, 1997, Table 2/1. p.31)

Manifestly, the correlation between affluence and women not entering the labour force is high. (Table 15)



**Table 15** Females as a % of Total Labour Force by Emirates - 1995



*Annual Statistical Abstract, No.23-24, 1998-1999, Ministry of Planning, Table 2/13, p.46*

In 1975 the percentage of nationals in the total labour force was 15.2 percent. This had reduced to 10.0 percent in 1985 and 9.1 percent by 1995. The fifth census was held in 1995 instead of 1990 (as a result of change of the census from five years to ten years). Between 1985-95, the migrant population grew by 6.4 percent while the annual growth rate for the national population was 4 percent. A more up-to-date set of data can be found in Table 16 below.

**Table 16** Population Data for GCC Countries

Country	Total Population 2002* – 000s	Population growth rate 1960 – 2000 % p.a.	Population under 15 years % of total**	Non-citizens % of total **	Expatriates as % of workforce**
Bahrain	650	3.6	28.8	40	64
Kuwait	2,300	4.9	33.5	64	81
Oman	2,400	3.9	44.5	26	55***
Qatar	720	6.5	26.8	80	90***
Saudi Arabia	23,000	4.1	43.4	27	55***
UAE	3,300	8.8	26.7	82	90***

\* Forecast \*\* Latest \*\*\* Estimate

Survey of the Gulf, *The Economist*, Vol. 362, p.11.

This highlights the situation that results from the time when governments in the GCC area imported millions of foreign workers and enabled them to dispense secure, well-paid jobs to nationals. The result is a two-tier workforce with foreigners working mainly in the private sector. In Kuwait, for example, 93 percent of the 200,000 locals who are working have government jobs, whereas 98 percent of the 900,000 people working in the private sector are foreigners.

One can see from the information in Table 16 that for all GCC states the population growth rate is particularly high and in some cases outstrips the country's GDP. One can also see that the UAE has the highest number of non-citizens in the total population (82 per cent), and along with Qatar, has the highest proportion of expatriates in the labour force within the GCC federation. With such reliance on foreign labour, we return to the working hypothesis and claim that it is not going to be possible to reduce the reliance on foreign labour in the short or mid-term. This hypothesis is further supported by the added variable of newly privatised businesses preferring to use the cheaper foreign manpower.

Another point of concern made in the *TANMLA Report* is one of disquiet for the lack of education and skills of the national labour force. This is not supported by data from the TANMLA's own report. In Table 18 below, foreign workers occupy a more dominant position at the base of the education hierarchy. Non-educated foreign workers represent 23 percent illiterate compared with 15 percent nationals and 15 percent and 10 percent respectively in the literate but did not complete secondary school category indicates that as far as basic education is concerned, the nationals are 'holding their own'. At the other end (university and above), the data indicates a similar trend. 16 percent of nationals are graduates and post-graduates compared with 13 percent of expatriate workers. The fact remains that 68 percent of the foreign labour force had no education or education below the secondary level and these are normally found at the lowest level of unskilled labour; the jobs that nationals do not normally perform. 40 percent of the national labour force had at least secondary education and the comparable percentage of non-nationals was 33 percent. Approximately 16 percent of all nationals in the labour force were educated to university level or above, compared to 13 percent for the expatriates, makes the argument that expatriates provide 'unequal competition' contributing to the

employment problems of nations, difficult to sustain. This is the view of the official TANMIA, but it is incongruous with the data gathered for this study. The fact remained that foreign labour is recruited for those jobs (at whatever level) where locals are not available. Frequently these are at the 'low skill' levels and it is a misconception to state (as the TANMIA Report does) that foreign workers are in direct (and unfair) competition for jobs with nationals.

The root of this problem is not a question of skill shortage, but more of a reticence to perform work which most (as the data and the primary research confirms) locals consider unsuitable. However, it has been shown that there is a preference by nationals for employment in the government sector while simultaneously expatriates provide the labour for the much faster growing private sector. On the other hand, private sector employers have preference for employing the lower-paid foreign labour force. It is a simple law of economics, that *wages should equal the marginal productivity of labour*. The problem in the Gulf is that the marginal productivity of labour refers to the prevailing economy in Bangladesh, Bombay or Manila. But it is difficult to understand why the data used by TANMIA differs from the data supplied by another government department. Closer scrutiny would soon clarify the information and force TANMIA to cease making claims such as "locals are at a disadvantage, expatriates are more highly educated" etc.

## 9. Cyclical and Iterative

**The information contained above can be developed into the following sequence.**

1. Oil revenues cannot be relied upon to provide a stable long-term national income.
2. Therefore, there needs to be considerable diversification away from the reliance on oil to attract FDI to prime the pump of private sector investment. In turn, this will increasingly require more and more cheap labour.
3. This is not the function of governments but of the private sector (as we have seen in the privatisation of water).
4. Membership of the WTO requires trading on a global scale and in global markets.



5. Without the massive oil revenues that has characterised the Abu Dhabi economy in the past, there will be a considerable budget deficit and the government would need to find revenues from elsewhere. This means either by the raising of taxes or the attraction of FDI.
6. Personal direct taxation is anathema to the Gulf societies so the alternative (FDI) is considered the way forward.
7. The driving force of profit motivates foreign investors, and profits are made in the private (not public) sector.
8. Therefore, there is at present a programme of privatisation.
9. This relates to a contraction, not expansion, of Government sector jobs.
10. The private sector is not concerned (primarily) with paying high wages and offering considerable benefits to employees. Their 'stakeholders' are primarily concerned with maximising profits and minimising costs.
11. Expatriates use their home country as a reference base for which to seek 'fair rewards'.
12. Expatriates are prepared to work for lower salaries and fewer benefits than nationals.
13. There will be a drive to lesson the dependency on foreign labour which will/is leading to the greater exploitation of new technology to substitute for the existing labour intensive employment strategies.
14. This has the potential of employers replacing dependence on imported unskilled labour by dependency on imported skilled labour and technology.
15. That the importation of foreign labour can prove to be advantageous to national labour as it affords the opportunities for locals acquire skills and knowledge and facilitates upward mobility.
16. The ILO will eventually insist that there can be no discrimination between the conditions of employment of nationals and foreign workers.

Table 17 below presents a broad occupational distribution of the national and total labour force. The group 'army staff' does not represent one occupational division. It has been listed as one division as there are no data available on its internal occupational structure. It is the only group where nationals comprised the majority (77.3 percent). The other three occupational groups comprising proportionally of more nationals than the rest of the labour force in 1995 were legislators and managers

(19.98 percent of the total number in the category), Clerical and related workers (16.6 percent), specialists and professionals (11.5 percent). Total workers, (both nationals and non-nationals) in the three occupational divisions totalled 236,708 and they were almost twice that of the total national labour force. This indicates that currently, even in these preferred occupations, there is still ample capacity and opportunity for the employment of nationals. The following table will provide a flavour of the breakdown into occupational categories.

In this study we see that the occupational categories that were less preferred by nationals involved in these three occupational sectors amounted to 45.3 percent of the total labour force, but only 1.4 percent of this total were nationals. This is far below the average representation of the national labour force in the various occupational divisions. Clearly, a number of the divisions enumerated above will remain for some time to come as ‘the work of foreign labour’, nationals (both relatively and absolutely) were: crafts persons and related workers, agricultural and related workers and machine operators.

**Table 17      National and Total Labour Force Distribution by Broad Occupational Division (1995)**

Occupational Division	Nationals	% Nationals in Total Labour Force	Total Labour Force
Legislators & Managers	12169	19.97	60913
Specialists & Professionals	12121	11.50	105387
Technicians & Assistant Specialists	7469	9.72	76813
Clerical & Related Workers	11680	16.58	70408
Service & Sales Workers	18845	6.70	280961
Agricultural & Related Workers	2249	2.28	98810
Craft Persons and Related workers	1697		N/A
Production Workers & Machine Operatives	4335	2.70	160452
Casual Workers	5413	8.00	67615
Army Staff	39828	77.29	51526
Not Adequately Defined	445	11.00	3942
Not Stated	1	16.66	6
Unemployed and Never Worked Before	4039	33.63	12011

Source: Central Statistical Administration, Ministry of Planning, 1997

In order to address the problems involved in the process of ‘Emiratisation’ and assess the opportunities available for nationals, it is necessary to break down the unemployment data and co-relate these with the educational levels. More than half the unemployed had not worked before (53 percent). Almost half of these (49.8 percent) were in the range 18-24 years and were either illiterate or did not reach a preparatory level of schooling. Those who had completed the secondary level or higher comprised 35.5 percent of the total national unemployed.

**Table 18      Unemployed Nationals by Age Group (1995)**

Age Group*	Number	%
15-19	1565	20.42
20-24	2252	29.38
25-34	1527	19.92
35-54	1627	21.23
55-64	693	82.70
Total	7664	

Educational Level	Number	%
Illiterate	1187	15.49
Read & Write Primary	2488	32.46
Preparatory	1272	16.60
Secondary & above, below university	1879	24.5
University & above	838	10.93

Source: Central Statistical Administration

- The 1995 census indicates that about 50 percent of the UAE nationals are below 20 years old. In such circumstances, there is an issue here of high unemployment, about 50 percent in the age group 15-24 years which suggests an interventionist and vocational training strategy. Intervention strategies will be addressed in the following chapter. Additionally, the following chapter will contain interviews focusing on the contradiction between the growing need for additional skilled expatriate workers, and the Government’s insistence on

reducing the imbalance between a foreign and national labour force. In fact, the Ministry of Labour issued a report recently (2000) the title of which is most significant: “The Labour Report: Moving from cheap unskilled labour to skilled labour and advanced technology”. Its recommendations were, as implied in its title, that the economy should move from low-skilled, labour intensive industries to high-skilled, capital-intensive industries. The findings of the study also indicate that investment in human capital should continue to focus on improving the skills of the locals as a means of generating sustainable economic growth.<sup>(Ministry of Labour, 2000)</sup>

## 10. Summary of Chapter

We have seen that the maintenance of prosperity of the economies of the GCC countries generally and, for this study, the UAE economy in particular, depends currently on the almost total reliance on cheap foreign labour. The official organisation set up by the government (TANMIA) contends rather simplistically that the process of nationalisation is a matter of removing the advantages possessed by the expatriate labour force and these advantages refer to the availability of superior skills and competencies (the ability to do a specific job to a given standard) of expatriate labour. We have shown through the available data that this is not necessarily the case and that one can postulate alternative views and the foreign workers represent a form of cheap labour and nationals pose a disincentive for private sector investors to capitalise their businesses as an expensive alternative. On the other hand, the supply of abundant cheap labour provides an encouragement to invest in UAE by foreign entrepreneurs.

This, as has been shown, leads to a further exacerbating element that inhibits the process of nationalisation. There is adequate evidence, both qualitative and quantitative, which suggests that the locals (particularly the young, which will be followed through in subsequent chapters) would, in many cases, sooner be unemployed than take ‘menial’ jobs in the private sector, and research for this study has led to the conclusion that ‘menial’ here can be interpreted as meaning up to technician and ‘knowledge worker’ status. So we have here an attitudinal and cultural change element, not an issue of inadequate skills and the example was given of the

Dubai Transport Corporation lowering of its basic qualification (down to illiteracy) for categories of staffing in a bid to recruit nationals. We have also seen that the employment of foreign labour, can also have an advantageous impact on the development of nationals, but the process of recruitment needs to be liberalised and simplified.

This view is further compounded by the need for the government to dispose of many of its assets in the form of privatisation (the topic will be taken up in ensuing chapters) as the revenues from the oil industries are too volatile and unpredictable and result all too often in budget deficits. This volatility is accompanied by the impossibility of accurate forecasting. Privatisation in turn leads to the need to attract FDI, which carries a further need for the liberalisation of financial rules and regulation for foreign investors. Probably the conservative Saudi Arabia leads the way in this, most likely due to the fact that it experiences repeated budget deficits. It also means that this need to attract FDI tends to fragment the harmony of GCC countries, as they will all be in competition, not co-operation, with each other. But the bottom line here is that foreign investors are driven by the profit motive and privatisation means cost reduction and therefore profit maximisation.. As we will see, hitherto, the public sector was also a means to support nationals and particularly as a means of removing poverty and redistributing income amongst its citizens. Indeed, interviewees from the private sector in Abu Dhabi have expressed a need to be able to treat locals the same as foreign worker and that, hitherto, they have really been unable to discipline or dismiss them. Ironically, the ILO organisation has warned Bahrain that they have to treat all workers equally and that membership of the 'world' bodies implies adherence to this fundamental principle. This was put to an 'interviewee' who responded simply '*never!*'

In the above scenario, it is difficult to see how the position of dominance of foreign labour will be resolved, and it is the contention of the author that it will not be completely resolved in this or the next generation of workers. Cultural change is difficult and the President et al. is cognisant of this need by the statements "nationals, wake up and contribute (by taking lower paid jobs in the private sector) to the building of your society". This is indicative of the promotion of a top down cultural change but it is not the approach of the official agency set up to solve the problem.

These issues will be revisited in subsequent chapters. It is also significant that, after four years of criticism of the TANMIA organisation by this author, the government has (December 2005) appointed a new Board of Trustees for TANMIA, having given the new members a very specific brief.

## **CHAPTER 7**

### **THE ROLE OF LOCALISATION IN THE ECONOMIC DEVELOPMENT IN THE GULF**

## 1. Introduction and Context

This chapter focuses on the issue of localisation and development in the Gulf generally and Abu Dhabi in particular. This is a vital issue for the decision makers and it means much more than banning foreigners from certain sectors (such as retail and taxi-driving) and forcing quotas and taxes on companies that require low cost foreign labour. The chapter looks at the question of localisation differently from the official agencies and general public (local) opinion. The issue of minimising the use of foreign labour cannot be forced without reducing investor confidence, which in turn will be counter productive and causing an economic downturn. In a way, for locals, it is the 'law of diminishing returns'.

The chapter concludes by suggesting that the way forward would be for the private sector to provide induction and training for nationals, with central government funding the differentials between the employment of local and foreign labour. This clearly has to be a process of incremental change, as the locals would, in the first instance, be very reluctant to switch from one sector to the other; given that they had the 'right' skills in the first place. This conclusion involves state subsidies at the entry level for nationals where their salaries and benefits exceed that of the foreign workers. Additional costs imposed on the private sector employer (investor) will only act to deter the investment. The assumption for this is that the local's salary and benefits will reach some sort of parity with the public sector as they rise through the ranks having taken advantage of the developmental opportunities. Ultimately, this will involve the government in a cost reduction exercise as, even with subsidies, the net cost will be much cheaper than sustaining the present system, particularly that of over-manning. However, on a less positive note, nationals must come to accept that private sector companies will have the leeway to 'fire' as well as 'hire' nationals, on the basis of clear definitions of 'unfair dismissal', performance indicators, appraisals systems and mandatory skills gap analysis. Locals must recognise that ultimately there will be a system of 'labour' courts which will settle disputes from a legal and not a '*wasta*' (influence) perspective; a radical shift from the traditional 'way of doing things around here'. Therefore, underpinning the content of this chapter is a three-fold philosophy:



1. The idea of cultural and attitudinal change.
2. Positive intervention by government to begin to correct the imbalance between local and foreign labour
3. The existing government strategy, based on the policies expressed by TANMIA, is flawed and cannot be sustained as a reason for reducing the foreign labour contingent by half in four years. The response by government is more emotional and philosophical than practical.

## **2. The Expatriate Labour Force**

The onset of the oil era in the mid-1970s heralded rapid economic activities that permeated well beyond the oil industry itself. In the UAE, there was considerable expansion in the construction and trading sectors that thrived on the abundance of circulating capital. But, by the very nature of the work, it required a large number of unskilled cheap workers that are in short supply in the context of the Arabian Gulf which features extremely low indigenous populations. It needed foreign labour from beyond the area and competition for this exists in a global context. The high-population countries of South Asia – India, Pakistan, Bangladesh, and Sri Lanka and the Philippines provided a seemingly endless source of cheap unskilled labour, mainly due to a high unemployment, high population density, in these countries. Currently, the trend is for unskilled labour to seek employment opportunities from their home in underdeveloped countries, to developing countries, Harris (p. 200, p.5.) detects a different trend. He maintains, “... over the next half century, the bulk of the world’s labour force is going to be redistributed to developing countries.” UAE and the Gulf nations presently fall into the category of developing nations and, according to this theory, as the nations develop, the foreign labour contingent will gravitate to countries where the opportunities for them are greater. However, over the last quarter of a century, the influx of foreign labour has given rise to an indiscriminate importation of this type of labour, without proper controls and without checks whether or not this type of labour was actually needed. Many ‘sponsors’ did so without making the obvious checks and controls or even employment contracts. The key informants were questioned about this problem; they were asked why few checks

were made on those entering the country on labour cards. The response was that it really was up to the sponsor to control those who have come to work for them. If they 'abscond', then the sponsor is obliged to report it and that when the controls are initiated.

The flood of cheap foreign labour, when the key informants were further questioned about this importation of cheap foreign labour, 'displaced' nationals from the unskilled and semi-skilled jobs that were being created in abundance. (In actuality they weren't there in the first place!) In consequence this led automatically to persistent unemployment among nationals, who refused manual jobs (low pay, long hours, hard work, uncomfortable working environment, poor benefits, etc.). In reality, most locals would be offered jobs in the public sector with very little regard to their skills or competences and when questioned in primary research interviews, the key informants insisted that the 'wealth and riches of the country should be given to the citizens of the country, not to foreigners'. (This was said by >24 percent of the interviewees) Nationals wanted secure and well-paid government jobs and were prepared to wait until one was available. This scenario has led to high levels of unemployment amongst nationals; a situation that persists today. This can be put into another context. Between 2000 and 2015 the national labour force is expected to increase from 121,291 (in 1995) to 435,791 in 2015 (a predicted rise of about 72 percent). At the same time, expatriate labour is expected to increase from 1,214,603 in 1995 to about 4,836,869 during the same period (a rise of about 75 percent). Therefore, far from positive intervention to reduce the proportion of foreign labour in the UAE, it would appear that it is actually predicted to increase as long as it remains a 'developing country' and this is notwithstanding the elements outlined in the last chapter, and in the working hypothesis, that will serve, it is suggested, to encourage an even greater increase in foreign labour to the benefit of locals. Table 17 and 18, in Chapter 6, provides the data for the dismissal of the key informants' arguments that the foreign labour was in competition with locals and it is this that caused high unemployment among locals.

Intervention is essential, but what form should this take? The Ministry of Labour and Social Affairs target/goal/objective is to reduce the foreign labour force in UAE by about 10 to 15 percent by the year 2005. (*Abu Dhabi Economy*, July 2002, p.6.) Although this is a

modest target, it is the contention here that it is most unlikely to be achieved by the target date. It has not been achieved and the foreign labour workforce has actually increased by about 15 percent in the last 12 months <sup>(Director of the Statistical office, Ministry of Planning – unpublished data provided in Key Informant interview).</sup> The intervention suggested at the introduction to this chapter is focused on the much longer term. Short-term panaceas just do not exist or are impracticable and counter-productive in development terms. (It is impossible to get precise data as the census that was carried out in December 2005, has not as yet been published.)

Local women occupy a distinct position in relation to the labour force. Political leaders in the UAE and other Gulf States (with the conspicuous exception of Saudi Arabia) are constantly urging women to play a role in developing their nation and their communities. That is in addition to their key role in the home and in the family. This issue will be handled separately in Chapter 8, but suffice it to emphasise that currently women make a very low contribution to the national economic activities, although there are many opportunities in both the public and private sectors and subject to working within a supportive environment suitable for Muslim women, there is no reason why women should not fulfil their career aspirations <sup>(See Table 15 above, p.237).</sup>

The government, and the government agency TANMIA, see the solution in the quantity and quality of the country's educational provision. For example, TANMIA's Director considers that one of the long-term strategies (2005-2015) should be to:

“enhancing the capacity of the UAE University and other universities for providing post-graduate education in public sector management with possibilities for specialisation in some of the levels of government, or sectors of administration, such as local administration, economic and financial administration, administration of social services, public enterprise management, public health management, agricultural management, etc. This will require developing local expertise at PhD level in teaching, research and consultancy in public sector management.” <sup>(Abdelrahim, 2001, p.42)</sup>

Therefore, once again, the problem is not as Abdelrahim (On behalf of TANMIA) suggests, but is cultural and attitudinal in origin. It is not an educational and training problem, given motivational stimuli the locals can soon acquire basic skills and there are plenty of graduates and post-graduates to fill senior management positions. But

there is a dearth of the unskilled and semi-skilled nationals as confirmed by the Human Resource Director of a large engineering company. He complained, in a primary research interview, "... with all the Higher Colleges of Technology and occupational colleges that exist in UAE, he still has to go to Mumbai to recruit technicians". Further to the above formal quotation, it is difficult for a dispassionate observer to grasp the logic of this statement. With the government's policy of downsizing the public sector and encouraging privatisation and diversification, where are all the jobs for locals in the public sector coming from for locals with PhDs and Higher Educational qualifications? How can the logic of training locals at the higher educational levels when it is at the other end of the occupational skills scale that the gap exists? When all these PhDs are trained, and looking for work in a radically reduced public sector, and the expatriate population and the cheap labour it brings have been excluded, who will be doing the work in services, construction, agriculture, manufacture, etc? It won't be the locals until and unless they have a radical attitudinal change. As is well known, attitudinal and cultural changes take a long time to permeate through society and it is the considered estimate of the author that these wide-ranging change will take at least two generations to complete. The government's initially target is 4 years.

It is essential to view future trends holistically and notwithstanding that the University of the UAE has been in existence for over 15 years, and it still doesn't offer a PhD research programme so many local issues and problems are not thoroughly researched. Additionally, the problem is not rooted in the segment of public administration or in the higher designations of management. The problem lies in recruiting nationals to the manual and technical tasks within the private sector. The issue of women as technicians and engineers is handled in the next chapter, but the research involving 20 interviews with women of 'Team Leader' status, proves conclusively that the issue here is not educational or developmental weaknesses, but cultural and attitudinal. However, there is a contrary view, which should be noted in this analysis. Reference to Table 21, below indicates that women outnumber men undergraduates in UAE higher education by a ratio of over 3:1. What happens to all these women graduates, they certainly are not represented in the labour force? The fact is that most will remain unemployed and a loss to the UAE productive labour force.

The Government has established an agency that is charged with the responsibilities of

- Placing nationals in jobs
- Providing vocational counselling for nationals
- Providing skill training for nationals

(Source: Ayesh J. Al Barguthi, Director, Employment & Skills Development Centre, TANMIA – in a primary research interview)

TANMIA, the Government's 'human resources experts', (Salama, 2003, p. 3.) has drawn up a long-term plan (10 years) by which 55,000 jobs now employing foreign workers will be replaced by nationals. TANMIA has targeted several employment sectors for which it says are important for the Emiratisation strategies. In fact, figures published for the month of September 2003 indicate that TANMIA placed 130 nationals in jobs during the month. Of these, 77 were in the banking industry, 1 in insurance, 7 in trade companies, 19 in local government, 5 in federal government, and 4 in oil and gas. (Salama, 2003, p. 3.) It is evident that over 25 percent of these jobs are in government, an area that is, and will be, contracting, and the remainder in 'white collar' work. This figure of 130 jobs filled by nationals in one month (particularly in the month when the most important conference of all time in UAE was held in Dubai (that of the Directors of the World Bank) with all the extra security, transportation and hotel staffing, is dwarfed by the economic expansion in the service and construction sectors. This expansion is 'fed' not by the placement of a few nationals in selected sectors, but by an influx of foreign, unskilled labour from countries of South East Asia.

### 3. Unemployment and Crime

The above quotation by Abbas Abdelkarim, the Director of TANMIA, and the strategy of TANMIA in creating more higher education graduates for the public sector, seems to over-estimate the role of the public sector in reducing the unemployment of nationals. The reasoning for this assertion is twofold:

1. That the public sector will undergo a relative degree of contraction which is inevitable with the policy of privatisation, diversification, globalisation, new

technologies and the need to attract FDI. The government will need to withdraw from maintaining its control over much of the state's economic activity, in order to achieve its stated objectives as outlined above. Currently, the public sector acts as a social service for locals, this situation will need to change due to pressures of the external environment, competitiveness and globalisation.

2. That part of the problem, indeed a major part of the problem of unemployed nationals, does not rest with economic or even educational criteria. It rests with social and cultural change. As a Director of Human Resources (of a large private sector company), and a Board Member of Tanmia, stated in a primary research interview when explaining the current unemployment of nationals;

“The attitude of educated locals who are attracted to the public sector slowly gives rise to unemployment, while there were quite a number of jobs available for them in the private sector... Indeed, many of them don't even turn up to interviews, once they have been short-listed.”  
(Primary Research semi-structured interview with TANMIA Board Member)

This ‘informant’ went on to generalise that “the young men are quite content with living off their wealthy parents, and they parade their fast cars, drink alcohol and take drugs, and even kill themselves”. Indeed, the latest figures of drug cases are truly worrying. In 1997 there were 431 cases of drug cases in the UAE courts. By 2000 this had risen to 743 and one year later, 2001, there were 1,023 cases before the courts.

This assertion that the young are reckless will be investigated further below, but for now, in support of this argument, it is worth quoting from the *Economist*. In a paragraph entitled ‘The party’s over’, the columnist writes;

“Finding a future for the region’s youth is not just a matter of numbers. The 1970s wave of excessive wealth has passed, but expectations remain high. Today’s young people tend to assume that they will enjoy the same lifestyle as their parents, with a desk job and a state salary fat enough to support servants and idle wives, with cash left over for foreign travel and their children’s’ costly weddings, as well as such perks as generous housing loans ... it is not that the pie is shrinking, but that it has to be cut into ever thinner slices. This generation is beginning to realise that they have missed the big party ... Overall unemployment may look low because of the high proportion of expatriates in the workforce, but the rate among local youths is rising

alarmingly. On an unofficial count, it is over 20 percent among 18-30 year olds in Oman, 14 percent in Bahrain and 15 percent among Saudi males”.  
(Source: *Economist*, 2002, p.11)

The correlation between ‘crime’ and ‘unemployment’ is high and generally applies to any culture and any society. The official data on crime statistics does support the views expressed above. It is worth considering selected data from the Ministry of Planning for 1998. One must be cautious to suggest a causal link, if one is unemployed then one will not necessarily commit crimes, but crime is an indication of a state of frustration which is spreading among the ‘next generation of Emirates. The very group that the late President, H.H. Sheikh Zayed claimed are the custodians of the future for the UAE. When one looks at this future by way of crime data, the future looks a little flawed.

**Table 19      Juveniles by Type of Crime and Nationality**

Type of Crime/Country	Kuwait	Oman	Qatar	Bahrain	Saudi Arabia	UAE
Crimes against the security and interests of the State	0	0	0	0	1	5
Crimes causing public danger	0	1	0	0	0	12
Crimes against persons	0	18	1	1	0	390
Crimes against property	0	22	0	3	13	407
Crimes against dangerous drug law	0	0	0	0	0	9
Crimes against alcohol drinks law	0	3	0	0	0	13
Crimes against other laws	0	2	0	0	0	36
Totals	0	46	1	4	14	872

*Annual Statistical Abstract*, Nos. 23-24, 1998-1999, Ministry of Planning, Table 16/32, p.470.

These figures are at first sight incredulous (that there is no crime in Kuwait and that the UAE far outstrips the crime in all other GCC countries put together), but they are compiled from the official statistics and there is no reason to question their accuracy. They demonstrate that the incidence of criminal behaviour among the juveniles in UAE is by far disproportionate to the rest of the GCC countries. Coincidentally, UAE is one of the wealthiest in terms of per capita GDP. Nonetheless, there is a high

correlation between crime and youth unemployment and it is still necessary to examine data relating to youth employment and unemployment and the higher and further education system.

A recent report supports a related phenomenon, that of increasing drug abuse among locals.

The Arab world is coming to terms with a growing drug problem in Dubai and other Arab nations.

In an effort to move past the stigma that drug abuse puts on families, Dubai's police and public health officials are openly addressing the growing problem brought on by increasing importation of drugs like heroin and ecstasy.

Officials and religious leaders are emphasizing prevention and rehabilitation through speeches, sermons and advertising campaigns reminding users of the toll these drugs can take, the report said.

The United Nations Office on Drugs and Crime estimates about 500,000 people across the region are drug abusers. This recognition is a dramatic change in a culture that traditionally concealed problems such as drug addiction.

"It's no longer quiet, and no longer hidden," Dr. Farida Allaghi, general coordinator of Mentor Arabia told the Times. "The taboo around drug addiction is fading because the problem is becoming too scary." (Source: *New York Times*, May 5th 2006).

The official data for unemployment is also open to some degree of scepticism. From the data (as given below) it can be calculated that the level of unemployment is about 1.8 percent (1995, at the last official census), but whether the rate of unemployment has increased rapidly since then, or whether the official data did not contain all the 'unemployed', is open to question. (The Minister of Labour and Social Affairs give the figure as 1.8 percent;

Al Tayer, July 2002.) Notwithstanding the Economist's estimate of approximately 20 percent, today's figure for unemployment within the whole of the GCC area is thought to be closer to 10 percent generally and 9.4 percent in Abu Dhabi, according to informants. As was suggested in the Economist survey (above), the unemployment rate unofficially is thought to be 20 percent in Oman, 14 percent in Bahrain and 15 percent in Saudi Arabia. When looking at the official data, as suggested in Table 21, it is apparent that these data do not include large numbers of people from 'wealthy' families who do not need to register as unemployed and women who are unemployed but who want to work but see no point in registering. One of the key research



informants said in a response to a question on youth unemployment; “Our youth have lost their idealism. When you consider that it is incongruous that one youngster in five is unemployed in a country with one of the highest standards of living in the world. They have been spoilt by their parents and working, and the discipline which this demands, is alien to them. They expect the luxuries of life, without working for them. This has nothing to do with foreign workers taking their jobs. Perhaps we should have a form of National service here.” (GM of a tanker company)

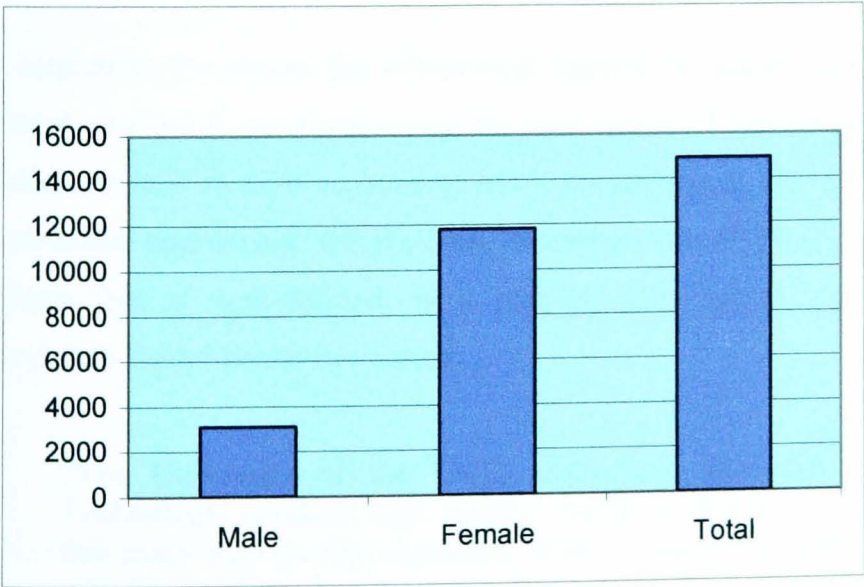
**Table 20      Labour Force in UAE by Employed and Unemployed - 1995**

Employed	1311816
Unemployed	24078
<b>Total labour force</b>	<b>1335894</b>
<b>Unemployed as % of total labour force</b>	<b>1.8 %</b>

Adapted from *Annual Statistical Abstract*, Nos. 23-24, Ministry of Planning, Table 2/10, 1998-1999, p.42.

We have seen in Table 20 that the crime figures for UAE are disproportionately high in relation to other GCC countries and the juvenile unemployment at 9.5 percent (realistically) is also extremely high. These two indicators support the subjective comments above by interviewees that the need is for a cultural and attitudinal change, not simply a change in the educational and training system as suggested by the government’s official TANMIA. A third set of data provides further support for this theory. This relates to those attending the UAE University for higher and postgraduate education – as broken down by gender.

**Table 21      UAE University Students by Sex, 1998**



Adapted from *Annual Statistical Abstract*, Nos. 23-24, Ministry of Planning, 1998-1999, Table 13/19, p.376. (data covers all faculties, including post-graduates.)

This prompts the question, ‘Where have all the young men gone?’ and it is partly answered by a proportion of them going abroad to study whereas many locals would consider that this option is not available for women. However, in percentage terms, male representation at the UAE University was just over 18 percent – a figure that cannot be accounted by study abroad alone. (This figure is a combined figure for citizens and non-citizens together). If one uses the data for male citizens alone, the percentage drops to 15 percent). In the words of another of the Key research interviewees, “They are playing with fast cars, drinking alcohol and experimenting with dangerous drugs. They don’t need to study or work, as they seem to have plenty of money to spend.”

Certainly, the late President, His Highness Sheikh Zayed bin Sultan Al Nahyan, and his ministers, are continuously urging this cultural change (or ‘mindset’). He implores nationals to think of the development of their own community, not only of themselves. Reminiscent of President Kennedy’s famous comment: “Think not of what your country can do for you, but think of what you can do for your country.” The specialist journal *Abu Dhabi Economy* mirrors the comments of the key informants and arrives at a similar view; “...experts are of the opinion that job opportunities are available in the private sector but what is needed is a change of attitude and notion of nationals regarding jobs.” (*Abu Dhabi Economy*, July 2002, p.5.)

To emphasise the use of the educational system to prepare the next generation of national workers is not focusing on the true causes of the problem or on a realistic solution. It fails to take account of other developments and offers a short-sighted, mono-causal approach to the problem. It reminds one of Dewey’s famous adage; “A problem that is well-defined, is a problem half solved.” As the high-ranking interviewee from Etisalat bemoaned,

“The University of the UAE, and others like the Colleges of Higher Technology, produce high quality engineers, but in Etisalat we do not want that many high quality engineers. What we need are highly trained technicians who have followed approved and standardised courses such as NVQs or City and Guilds. These nationals are in short supply and it is for these that I have to go to India to recruit expatriates. But these qualified technicians can get work in India and attract reasonable pay, which serves to exacerbate the problem.

**The problem seems to be getting worse, not better.**” (Key informant interview with senior planner from Etisalat)

The construction industry in Bahrain, which was ‘forced’ by quotas to employ Bahrainis (cited earlier), is a good case in point of the officials declaring policy based on theory or dogma, and not reality. The governments appear to focus on the ‘symptoms’ of the problems, not on the ‘causes’.

To improve the quality of the young national job seekers’ skills, it is necessary as a prerequisite to look at the needs of the ‘market’, and this process involves forecasting the needs of the private sector; the service industries like hotels and sports and leisure activities, the construction industries, which will need electricians, plumbers, bricklayers, tillers, builders etc, in agriculture and manufacturing which are expanding sectors, as well as business start-ups. In an interview at the Abu Dhabi Chamber of Commerce, the Head of Training was very proud of an initiative, which the Chamber took and called ‘the Work Passport Programme’. This has a view of preparing fresh graduates to take up responsible jobs in the private sector. But, once again, the urgent need is to persuade the unemployed nationals to take up work at a ‘lower’ level than their expectations require, but nevertheless with appropriate training and multi-skilling as technicians. The ‘target’ level is clearly about the NVQ, level 2 and 3. This is a far cry from the suggestions of Abdulrahim’s proposals (above) to train locals up to PhD level. Two government’s departments offering such contrasting solutions to the problem of the employment of nationals; one is advocating training with NVQs at levels 2 and 3 for the private sector employment and the other PhDs for public sector employment.

The Ministry of Labour has drawn up a 15-year plan from 2000 to 2015 to develop and regulate the employment market and employ nationals both in the public and private sectors. (The Minister of Labour and Social Affairs, Al Tayer, July 2002.) The plan is to “quadruple the size of the national workforce to 435,000 by the end of 2015.” Unsurprisingly, this ties in with the TANMIA target of providing 55,000 for jobs for nationals in the next decade.

Once again, one must greet this strategy with a degree of scepticism. Now that the government has opted for rapid industrialisation as an option to diversify the income base of the economy, it concludes that the best way to reduce the need for unskilled labour in the country is to set up units that are capital intensive. Such units would employ high technology, automated systems and mechanised production. There are two inherent weaknesses in this theory:

1. That given a choice between expensive (capital intensive) production methods or the use of cheap foreign labour where this exists in abundance, there is no certainty that private companies will choose to use the former (and by so doing, may reduce profits and tie up capital for the long term.)
2. The very sectors of the economy that are the subject of a disproportionate ratio of foreign labour, the service industries, banking and financial services, agriculture, manufacturing and construction sectors, etc. do not lend themselves readily to capitalisation and mechanisation. They are essentially labour intensive.

Private sector employers are being urged to contribute to the training of nationals, but they find this very expensive. In a cost/benefit analysis, private sector employers prefer to buy in foreign employees who have already undertaken appropriate and relevant training and are usually much cheaper than the salary and benefits expected from their national equivalents. The foreigners frequently have the essential qualifications and valuable experience. They also are much easier to manage and the implications of not working conscientiously are considerable. It is for this very reason that the strategy of using capital-intensive methods of reducing the need for unskilled and semi-skilled expatriate labour may backfire and result in more national graduates ending up unemployed.

However, notwithstanding the above analysis, it is pertinent to draw attention to the United Nations Human Development Index (HDI, launched in 1990) whereby a total of 175 countries have been ranked in order of their human resource development. For the third year running, Bahrain has topped the Arab World in the rankings. In 2001 Bahrain's ranking was 40, in 2002 it made a little progress to stand at 39 in the world

and it now stands at 37. Norway, Iceland and Sweden came 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup>. The rankings for the other GCC states are as follows:

**Table 22      UN Human Development Index (2003)**

GCC Country	World Ranking
Bahrain	37
Qatar	44
Kuwait	46
UAE	48
Saudi Arabia	73
Oman	79

As reported in the *Gulf Daily News*, July, 2003

Oman, the lowest in terms of Human Resource development in the Gulf, is the poorest of the oil producing countries, Bahrain has very little oil and is at the top of the GCC countries and the country with the most oil reserves, Saudi Arabia is positioned next to the bottom. UAE is positioned about half way, but it should be remembered that the staff development relates only to about 13 percent of the labour force, for the locals, and this study has revealed that most of the foreign workers get very little development at all. The issue of staff development will be taken up once again in Chapter 9. Today, despite all the efforts by the government and the private sector, the imbalance in the labour market continues to widen. It is the contention here that this trend will continue into the foreseeable future with the official emphasis on, and support for, the inexorable process of development, diversification and privatisation. To attract FDI, to which the governments of all GCC countries are committed, it is necessary to liberalise the economic climate and privatise a good proportion of state owned resources. Just a few examples of this trend are in Abu Dhabi the Water and Electricity industries are already privatised and this is soon to be followed by the power generation and telecommunications. In Dubai, even the prisons are about to be privatised and in Bahrain, the now monopoly telecommunication company (Batelco) is to be deregulated and privatised starting from July 2002. It is significant and understandable that the start of this process coincided with Batelco terminating about 20 percent of their staff – mainly locals.

The Bahrain Cabinet approved, 30 June 2002, the privatisation of Mina Salman and Mina Khalifa bin Salman (privately managed and operated ports).<sup>(Abu Dhabi Economy, July 2002, p.5)</sup> Private companies are not renown for their expenditure on social overheads, which is the function of 'not for profit' state-owned enterprises and charities. Private companies have only one principal objective and that is to increase the value to shareholders of their investment. Any activity which does not 'add value' to this objective, has little place in the order of things within the company. *A priori* reasoning will dictate the logic that foreign private investors will not sanction higher salaries to staff and expensive benefits and favourable terms and conditions of service, simply because they are nationals. Their intentions are to maximise, not minimise, profits. Nationals must accept and adapt to this fundamental principle, although, the key informants featured in this study found these concepts outlined below difficult to grasp.

1. There will not be available the number and quality of public sector jobs within the mid- to long term. There will be less state control of business and commerce.
2. That private sector employers will be looking for 'knowledge workers'; the 'right' people with the 'right' skills in the 'right' place at the 'right' time.
3. Cultural and attitudinal change is the key to national prosperity. Local people in local jobs that must be the longer term aspiration, not only for the legislators, but also for all the citizens of the GCC countries. Given time, the WTO and the ILO, UAE is a member of both, will prohibit discrimination against foreign labour. Therefore, the nationals must compete with expatriates on the basis of skills, competences and attitudes, not because they have a 'right' to the job as nationals, and not because of the 'wasta' (influence) which has been used in the past. In the private sector, it will be, rightly so, the 'best person for the job'.
4. That the employment of foreign workers is beneficial to the training and development of locals. Certainly the socio-economic benefits outweigh the disadvantages.
5. That the natural tendency for migrant workers is to 'return' home to their families and therefore the fears of being 'overrun by foreigners' (in the terminology of a number of the interviewees) is mythical and exaggerated.

UAE University undertook two surveys in December 1995 and, although somewhat dated, the attitudes prevailing then still apply today (according to the key informants for this study). These surveys were divided into those employers who employed 10 workers or more and those who employed less than 10. The survey was designed to canvass the opinions of the employers on the reasons that hinder the employment of

nationals in the private sector. Two variables were given: one was related to the nature of the work of the enterprise and the other related to the attitudes and preferences of nationals. We will concentrate on the larger enterprises which are very revealing and the 1995 data is confirmed by the primary research interviews carried out for the research for this study in 2003.

**Table 23      Employers Opinions on Reasons Related to the Nature of Activity of the Enterprise that Hinder Employment of Nationals in the Private Sector 1995**

Number and % of enterprises that believe in the existence of at least one reason *	763 = 56.1% of Enterprises
Reasons agreeing*	
Difficulty of the work of the enterprise	9.4
Work not suitable for nationals – or nationals look down upon the nature of the work of the enterprises	24.3
Nationals do not have language or other skills required for the work	14.0
Low wages and/or benefits	38.0
Working hours and shift system	13.1
Workload is too much	15.5

This was a fairly substantial study (N = 763 employers) and it is interesting that just two categories, that work in the private sector is unsuitable for nationals and low wages and benefits, account for nearly two-thirds (62.3%) of the respondent's choices. As stated, this is in keeping with the information provided by the primary research interviews.

Meanwhile, expatriate labour, especially from the Asian countries, continues to dominate the labour market. Nearly 87 percent of the expatriate workers continue to be from Asia. *(Abu Dhabi Economy, July 2002, p.5)* Those from the Indian Sub-Continent alone represent 53.3 percent of the total labour force. *(Abu Dhabi Economy, July 2002, p.6.)* It was stated above that the massive influx of expatriate labour from the mid 1970s was uncontrolled and not monitored with the essential demographic precision.

Today, expatriates form about three-quarters of the population compared with just over one-third in 1968. Table 24 below was compiled from information gathered in the 1995 official census.

**Table 24      Change of Population (1968-1995) – UAE**

Year	Total Population	Nationals	%	Non-nationals	%
1968	180425	114607	63.5%	65818	36.5%
1975	557887	201544	36.1%	356343	63.9%
1980	1042099	290544	27.9%	751555	72.1%
1985	1379303	396114	28.7%	983189	71.3%
1995	2411041	587330	24.4%	1823711	75.6%

Source: Abdelkarim, 2001, Table 1, p.19.

As there hasn’t been an official census in UAE since 1995, the official data is somewhat dated and renders it difficult to draw valid conclusions by this source alone. But this source is confirmed by the primary research which includes unpublished data but supplied by one of the key informants who was the Director of the Statistical Office at the Ministry of Planning. One of the questions in the Company survey conducted for this study was ‘What is your country of origin?’ and although a large number of employees failed to answer this question, the remaining data does probably reflect the strength of foreign workers within the Abu Dhabi community generally. The data collected for this one company, the Bin Ham Corporation, is as follows in Table 25.

A surprising feature of this data was the large number of respondents who abstained. The researcher has deduced from these abstentions that the foreign workers (specifically Asian) were in fear of revealing their true opinions regarding the company management and their treatment as employees.



**Table 25      Survey of Country of Origin of Company Labour Force – 1995**

<b>Country of Origin</b>	<b>Number</b>	<b>% of the respondents</b>
UAE National	24	6.0%
Europe/USA	11	2.8%
Indian Sub-Continent	72	18.0%
Philippines	12	3.0%
Other	62	15.5%
(Respondents)	(181)	(45.3%)
Those failing to respond	219	54.8%
Totals	400	100*

(\*discrepancy due to marginal rounding up).

We can see from the Table 25 that the Company concerned in this study has a labour force that reflects the national labour force in the ratio of nationals to expatriates. It is safe to assume that approximately 87 percent of the workforce (N = 1000) come from countries other than UAE and that the fairly significant ‘other’ group will be largely Arabic, but not UAE citizens. The national data of labour composition can be seen in Table 26, which presents a broad occupational distribution of the labour force. The category ‘Army staff’ does not represent one occupational division. It is the only group in which nationals comprised the majority (77.2 percent). The other three occupational groups that comprised proportionately more of the nationals than the rest of the labour force in 1995 were the legislators and managers (20 percent of the total in this category), clerical and related workers (16.6 percent) and specialists and professionals (11.5 percent). The percentage of the total labour force represented by these three categories indicates that there are still potentially ample employment opportunities even within these preferred categories.

Let us take a look at the broad occupational divisions in UAE by nationality.

**Table 26 National, Expatriate and Total Labour Force by Broad Occupational Divisions (UAE) 1995**

<b>Occupational Division</b>	<b>Nationals* (1)</b>	<b>Expatriates* (2)</b>	<b>Total labour Force* (3)</b>
Legislators & managers	12169 (19.97%)	48744 (80.02%)	60913
Specialists& professionals	12121 (11.5%)	93266 (88.5%)	105387
Technicians & Assistants	7469 (9.72%)	69344 (90.27%)	76813
Clerical and related	11680 (16.58%)	58728 (83.41%)	70408
Service & Sales workers	18845 (6.70%)	262116 (93.3%)	280961
Agriculture and related	2249 (2.27%)	96560 (97.72%)	98810
Craft persons	1697	-	-
Production workers & machine operators	4335 (2.70%)	156117 (97.29%)	160452
Casual workers	5413 (8.0%)	62202 (92.0%)	67615
Army staff	39828 (77.29%)	11698 (22.7%)	51526
Not adequately defined	445 (11.28%)	3497 (88.71)	3942
Not stated	1	5	6
Unemployed, never worked before	4039	7972	12011
<b>Total</b>	<b>121291</b>	<b>870250</b>	<b>1335894</b>

\*Calculation-3-1 = 2

Compiled from data in Abdelkarim, 2001, Table 5, p.21

The occupational divisions that were less preferred by nationals (both in relative and absolute terms) were:

- Agriculture (97 % of the workers in this sector are foreign)
- Production (97 % of the workers in this sector are foreign)
- Production workers and machine operators (97% of workers in this sector are foreigners)
- Service and sales (93 % of the workers in this sector are foreign)
- Casual workers (93 % of the workers in this sector are foreign)

Despite the large number of workers in these five categories, less than 10 percent of them were nationals. This is far below the representation of the average labour force in the in the public sector. The reasons for this low representation, according to the primary research interviews, are that they are considered 'unsuitable' for locals and/or low pay and benefits and the data is in accordance with Table 24 above. However,

the interesting point which emerges from this critical analysis is that the government is pledged to expand the private sector in the areas of agriculture, manufacturing, construction, services, etc. The very areas which (Table 27 indicates) that locals will not accept jobs. This is the dilemma and it also relates to the working hypothesis (page 9.) which indicates that the government’s position in relation to foreign workers is unrealistic.

4. Questionnaire Research

How do these 1995 figures match with this study’s questionnaire research? This was the distribution of 1000 questionnaires to all employees of a large company in Abu Dhabi. Over 400 questionnaires were returned completed or partially completed and the purpose of this exercise was to test the ‘perception’ of the terms and conditions of the foreign workers *viz a viz* nationals. Once again, 203 respondents failed to answer the question relating to their job function. Many of these would be positioned in the ‘under one year’ category, in which case they were told to leave the box blank. However, 217 employees did respond as follows:

Table 27      Questionnaire Research - Job Function

Job Function	Crude Nos.	%
Admin/clerical	47	11.1
Management	25	5.9
Manual	178	42.3
Engineer	26	6.2
Other professional	37	8.8

Although assumptions are never ‘safe’, it would be fairly safe to assume that the reason for such a large abstention in this question is related to foreign staff who didn’t understand the question or the language. But without any assumptions, it is clear that the ‘manual’ category coincides with the proportion of expatriate labour and, particularly, those from the Indian sub-continent. One normally associates these

workers with being overworked and underpaid. The survey results of workers in the one large private sector organisation proved to be very surprising.

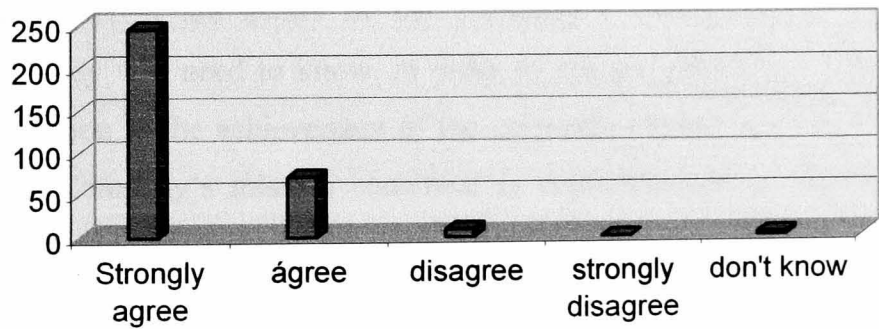
The questionnaire covered five separate headings as follows:

- General
- Management style
- Communications
- Pay and benefits
- Training and development

In general, the overwhelming majority of respondents (N = 420) indicated that they were content with the situation at work; now and also two years ago. Some of the results are listed below. The first question related to motivation.

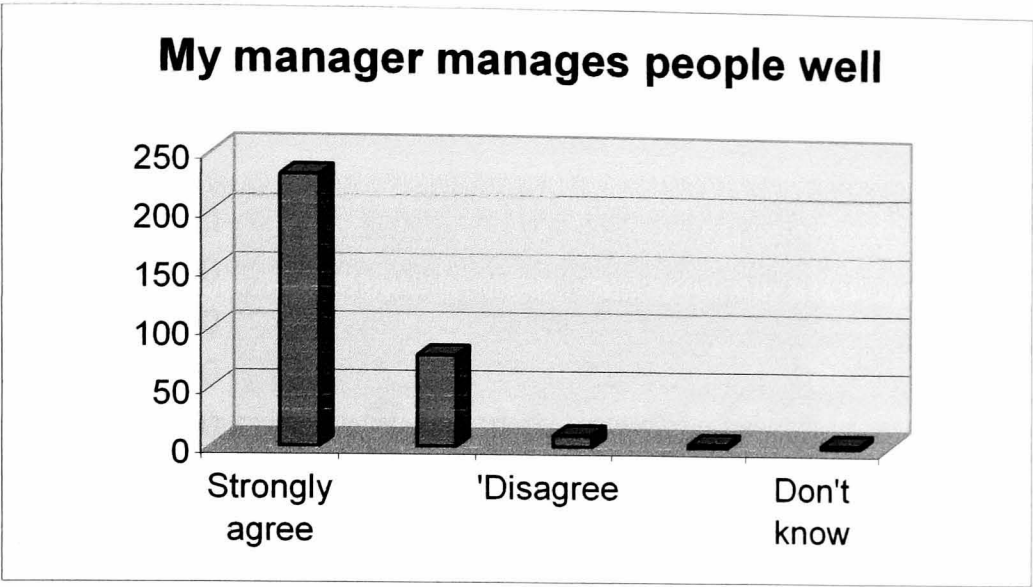
Table 28      Questionnaire Research – Motivation

I am very motivated by my job



The next six questions related to the manager as a 'leader'. Question 12 states "My manager manages people well" and there were 326 responses as follows:

Table 29      Questionnaire Research – Leadership



81.5 percent of respondents answered this question ((N = 326) and of this number, 304 people agreed that their managers did manage their people well (which indicates a percentage figure of 93 percent).

An important indicator of a Company’s communication system is whether or not the subordinate workers are aware of the Company’s vision/mission and corporate objectives. They will need to know, in order to operate effectively, what exactly is their contribution to the achievement of the corporate objectives. The statement was made; “The Company’s mission statement is communicated to all staff”. Similar results were obtained.

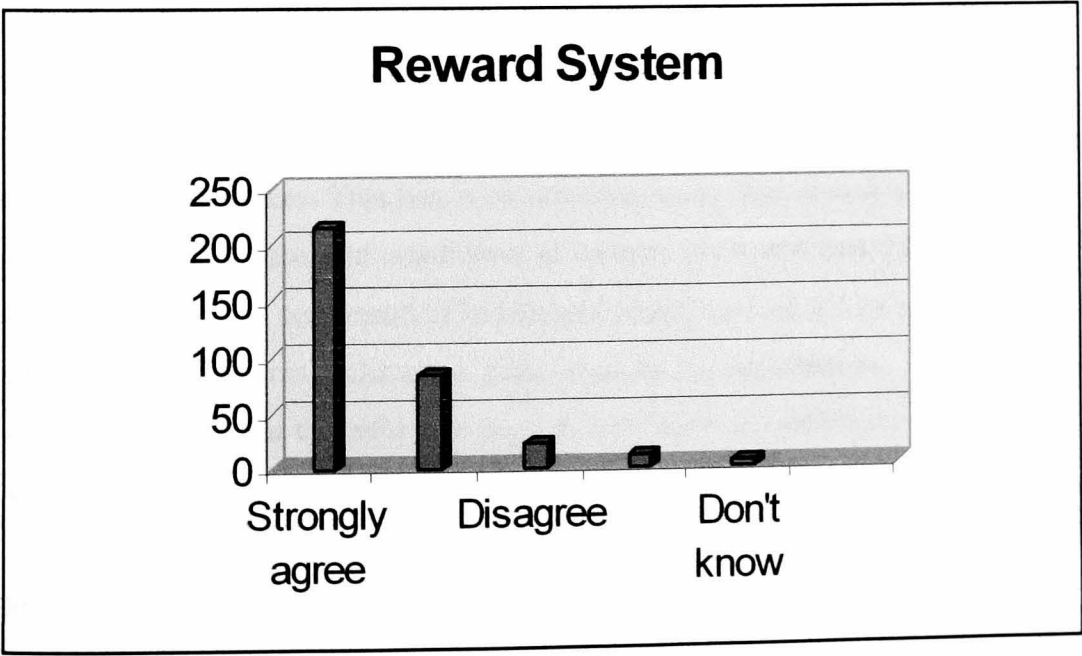
In this case, 306 workers out of a total population of 337 (over 90 percent) suggest that the Company’s mission statement is communicated clearly to all staff. They all know the direction, in which the Company’s heading, the values of the Company and the contribution that they, as individuals, contribute to the achievement of the Company’s corporate objectives.

Table 30 Questionnaire Research – Corporate Communications



The major area of grievance for most expatriates from the Indian Sub-continent and Eastern Asia relates to pay and conditions. The next set of questions relate to pay and benefits. The statement was made; ‘I feel I am fairly rewarded for the amount of skill and effort I put into my job’, and the results are as follows:

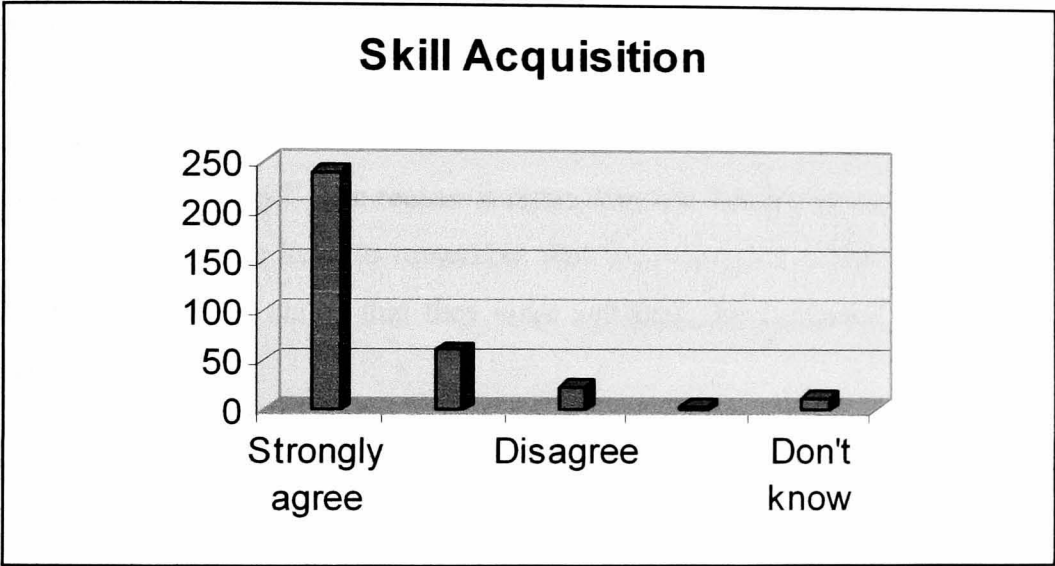
Table 31 Questionnaire Research – The Reward System



The final category of the Company questionnaire deals with training and development. The first question in this category, makes the statement; ‘I am given opportunities to increase and update my skills’. The results obtained were;

There were 302 positive responses from a total population of 342 (88 percent). Certainly, all the responses to the 29 questions responded to by 434 staff from a specific large private sector enterprise in Abu Dhabi, were surprisingly positive – overwhelmingly so.

Table 32      Training and Development



The results of this staff survey would grace any western organisation employing a majority of staff from the indigenous population, but to obtain the results as outlined above is just short of a miracle. The questionnaire and the analysed returns are included in the appendices. This has been one case study that demonstrates high staff satisfaction with their jobs and conditions of labour. We know that the workforce of this Company is largely composed of Indian and Asian manual or low skill labour and the analysis of the returns indicates a high level of job satisfaction. Therefore, it is fairly safe to assume that the reference used to determine job satisfaction is not that of the local situation, but of the situation ‘back home’. The pay and conditions in the Gulf for foreign labour may be what westerners describe as ‘poor’, but in terms of the conditions prevailing in the expatriate countries of origin, they are relatively luxurious. For this reason, the question was asked; ‘was the reward system ‘fair’. One of the Directors of the |Company was interviewed and he confirmed the

suspicious. There is no training and development policy for foreign staff (only nationals) and most of the essential skills are 'bought in'. Certainly the 'vision' and 'mission' statement would not be formally communicated to manual labour staff and pay and conditions are at 'market rate' – no better but no worse than for foreign workers elsewhere. The positive responses were because the workers were fearful of being identified and/or an inability to understand fully the questions.

The conclusions drawn from this primary research are most significant. The responses themselves indicate that the respondents have not been honest in their answers to all of the questions put to them. This is the opinion of the Directors of the Company and it is clearly based on sound evidence. If there is no training for expatriate workers, how can these workers say that the training is satisfactory? The same can be said for all other questions. So, if the starting point is that they have not been honest, one must go further and ask 'Why?' The reason is clear, they are fearful for their jobs and their resident's visas and we have to remember that the responses numbered over 400. If practically all of these stated that they were satisfied, the following reasoning must emerge:

- That the point of reference is not set in local terms but from the service and conditions of employment in their countries of origin
- That they are prepared to work for much lower salaries and conditions than locals (although few) who are employed in similar positions
- That foreign workers are very insecure and will not explicitly state their true opinions about their work situations
- From a motivational point of view, performance improvement is best achieved by using intrinsic motivation: that is encouraging staff to work because they want to. Fear and insecurity comes under the category of 'extrinsic motivation'; that is when staff do a job because they have to (out of fear; fear of termination and fear of not being able to support their dependents back home).
- Those, according to the employers, foreign workers are essential and their employment leads to cost reduction and increased profits.
- The position is likely to change when the ILO asserts its authority and insists on equity between foreign workers and nationals.



Manifestly, the questionnaire exercise was more important for the information it didn't provide, than that which it did provide.

The fact remains that the foreign workers feel themselves as being subservient and appear to be satisfied with working conditions, benefits and security at a far lower standard than are the nationals. In terms of cost reduction and profit maximisation for the private sector companies, the employment of foreign workers, in these circumstances, present a more attractive scenario. This contrasts to the information provided by some 33 key informants who said that they are loathe to employ locals as they are 'unreliable'. This comment agrees with the findings of the University of United Arab Emirates which concludes that locals will not work for low pay. (Table 24 above). It actually presents the employers' view that 'low pay' is the highest disincentive against locals working in the private sector.

## **5. The Population of UAE**

A point worthy of note is that the expatriate population outnumber the indigenous population by a ratio of three to one: Officially, expatriates numbered 800,000 while the numbers of nationals was just short of 280,000. This imbalance of expatriates to nationals has remained in spite of considerable effort to narrow the gap. It has already and will further be argued in this chapter that diversification will be accompanied by the 'gap' widening in favour of the expatriate. In short, diversification, contrary to Government expectations and efforts will encourage the need for more labour and this labour will be found largely in an increase of workers from the Indian sub-continent and the Philippines. Indeed, one senior planning manager from one of the major companies in UAE (with 10,000 staff in the parent company) who had previously spent 8 years at the Ministry of Education stated that he still goes to India to recruit technicians. He commented that the Colleges and Universities in UAE do turn out some splendid engineers and highly qualified staff, but few technicians and those nationals that do graduate as technicians, start work but do not stay, they want administrative and management positions. (Primary Research Interview conducted June 2002) It has also been shown that 90 percent of the technicians in UAE are foreign. (Table 27) Another point the interviewee mentioned is that Dubai, and to an extent Abu Dhabi, are the only emirates where women workers are considered equal to their male

counterparts. They represent very few of senior management positions. Currently, this particular company has a ratio of approximately 87.5 percent nationals at senior level and 37 percent nationals are at the junior staff level.

In a published report by the Director of the Centre for Labour Market Research and Information (TANMIA), Abbas Abdelkarim expresses his views that there is an urgent need to heighten the opportunities available to Nationals in the private sector. These include:

1. **Quotas:** specifying the percentage of nationals to be employed in specified sectors. (This is the least popular choice for employers questioned in a large enterprise survey. It was also suggested above that the numbers of foreign workers employed should more effectively be left to market forces).
2. **Quotas:** specifying a maximum of foreign workers working in a company. The Labour and Social Affairs Ministry has recently divided companies into three categories: A, B, and C. category 'A' are companies with less than 30 percent of the workforce from one nationality and at least 2 percent of its workforce from UAE. Category 'B' are companies which have between 31 and 74 percent of their workforce from one nationality, and Category 'C' which have more than 75 percent of its workforce from one nationality. It is estimated that in the last year, the costs in transaction fees, fines, labour cards etc. for a Category 'B' company will have increased from Dhs 333,700 to Dhs1,420,000.
3. **Payroll fees:** This option leaves employers with the decision either to invest in the development of a newly recruited national employee or pay the premium levy on expatriate skills and buy-in the skills required.
4. **Restrictions on work permits:** or limit work permits to jobs involving skill shortages. (See No.2. above.)
5. **Government wage or training subsidies:** these would probably be linked to the training investment made by the employer. It will also facilitate the staff development of nationals.
6. **Job design strategies:** this includes part time employment, split shifts and job share approaches.

But the distinction must be made between the public and private sectors. In 1995 (at the time of the last census) there were 72,880 nationals working for the Federal Government out of a total of 150,865 (48 percent), 25,601 nationals working for local government (14.8 percent) and 2467 working in the public sector generally (17.6 percent). Thus a total in excess of 80 percent of public sector employees were

nationals. This compares to 9108 nationals working in the private sector out of a total of 695,794 (1.3 percent). <sup>(TANMIA, Table 6, p.9)</sup> Once again, the study (using 1995 data) undertaken by the University of United Arab Emirates is worthy of revisiting. The study found that over 80 percent of all government jobs are held by nationals. <sup>(TANMIA, Table 16, p..22)</sup> In total, the UAE had a labour force of 2.7 million at the end of 2004. The private sector was the largest employer, hiring 52 percent of the total workforce. About 98 percent of workers in the private sector were foreigners. The wholesale and retail trade was the largest sector in terms of employment, accounting for 20 percent of the total workforce. This was followed by construction (17 percent) and manufacturing (14 percent). <sup>(Gulf News, 20 August 2005, pp.2-3)</sup>

The interesting feature in the above data is that the employers in the private sector believe that an improvement in the nationalisation of private sector jobs can be achieved by introducing a more effective incentive scheme. They suggest improvements in the form of higher pay scales, faster promotion and salary increases (83.1 percent) and/or to provide other rewards, e.g. bonus schemes and gratuities (45.9 percent); <sup>(Gulf News, 20 August 2005, p.23.)</sup> – the exact opposite of what is needed to prepare the public sector for privatisation. Similarly, in the poll carried out by the University of the United Arab Emirates, the employers from the private sector were asked for their opinion on whether there were any factors hindering the employment of nationals in the private sector. Of the 639 businesses that responded positively, the vast majority, over 90 percent, said that this burden would be financial, higher wages and costs. Discrimination against expatriates or in favour of nationals in the workforce will/should result in warnings from the WTO and ILO and the Government of Bahrain recently received criticism from the ILO for discriminating against expatriates by paying lower salaries.

As we can see from Table 33, private sector establishments were the largest employers in Abu Dhabi accounting for 226,000 workers. Local government departments followed some way behind with around 95,000 and federal offices with around 70,000.

**Table 33      Breakdown of Private and Public Sector Employment in Abu Dhabi (2002)**

Sector	Data
Private	226,000
Local Government	95,000
Federal Government	70,000
<b>Total 3 sectors</b>	<b>391,000</b>

*Abu Dhabi Economy, May 2002, p. 17.*

We can see from Table 33 that the private sector out numbers the public sector in Abu Dhabi by about a factor of three to one. The private sector can be broken down further into the service and sales areas as follows:

**Table 34      Breakdown of Service and Sales Sectors of Employment in Abu Dhabi (2002)**

Employment Sector	Data
Service and sales workers	66,000
Factory operations and maintenance	65,000
Professional & Scientific	42,000
Legislators, managers and senior officials and executives	18,000
Defence	21,500
<b>Total Service Sector</b>	<b>212,500</b>

*Abu Dhabi Economy, May 2002, p. 17.*

With increasingly limited job opportunities available to nationals in government and public services due to privatisation, cost-savings, etc, the ministries face a problem of what can be called ‘occupational inflation’. This means that the number of those employed in the public sector will increase (as a social service) and each will have fewer duties to perform. Occupational inflation leads to an increase in costs and, possibly due to the inexperience and qualifications of the post-holders, an increase in

inefficiency and reduced performance.. Besides forcing up costs, occupational inflation ensures longer time, lower quality and de-motivates well-qualified employees. As one high-ranking civil servant suggested when questioned on the topic; "...the occupation inflation in any ministry is 20 percent at least and in some large ministries, it ranges from 30 to 35 percent". (An Under Secretary key informant) This concurs with the research carried out at Batelco where, on deregulation, some 30 percent of staff, mainly local, were terminated.

The GCC countries, including UAE, are confronted by a dilemma. They are committed to a programme of diversification and privatisation, the pace of which is gathering momentum. The process is being stimulated by the existence of the large pool of cheap, skilled and available foreign labour, but a restricted supply of suitably qualified local labour (and local labour with attitudinal difficulties). The choices are simple but unpalatable. They are based on simple laws of supply and demand:

1. Should the government restrict the importation of suitably qualified foreign workers? (At the risk of implementing adverse elements on national competitiveness.)
2. Should the government maintain, artificially, the size of the public sector as employment opportunities for nationals? (Which will exacerbate the negative attitude by locals regarding employment in the private sector?)
3. What should be the long-term position regarding the salary and benefits differential between national and foreign labour? (Remembering that the ILO is monitoring the position closely.)
4. Should the government introduce a system of quotas and indicative targets, (which is really the present position), levies and grants in respect to training and development of locals? (That is to impose a type of tax on employers for every foreign worker employed and that resource then allocated for the training of nationals to occupy the job in the future. This would act as a disincentive to FDI as it pushes up costs.
5. Should the government impose a mixture of all the above? (A compromise and like all compromises, a 'lose-lose' situation.)

An unenviable choice for any government, but the choice becomes simplified somewhat when one considers the main long-term aim of any government. That is the

perpetuation of the nation and its 'best' interests. In this case, the 'best' interests mean economic viability and competitiveness in a global environment. There may be contrary views of what are the 'best' interests. For example, commenting on a particular cabinet meeting which had the issue of employment of nationals as its sole agenda item, the Prime Minister of Bahrain, Sheikh Khalifa bin Salman Al Khalifa stressing the importance of finding jobs for locals, said; "The interest of Bahraini citizens is on the top of the priorities and we shall have no peace of mind until we see our Bahraini sons engaged in various jobs". The Labour and Social Affairs Minister Abdel-Nabi Al Shula added that official unemployment in Bahrain; hit a record high of over 9,600 (in April 2001).

Actually, the GCC states are mooted the idea of a coordinated approach to curbing the length of stay of foreign workers to a maximum of 6 years. The proposal was adopted during a recent conference involving GCC's labour and social affairs ministers, held in Bahrain. This proposal seems popular with the government officials, but understandably unpopular with businessmen. One of the reasons for the popularity of such a measure among officials is the belief that the GCC states might be obliged to grant citizenship to foreigners who stay in the country beyond a certain period. This situation clearly cause some 'cognitive dissonance' among the key informants who largely locals and employers. As one GM said in the semi-structured interview; "You're wrong if you do and you're wrong if you don't", referring of course to the employment of foreign workers.

The two states with the highest foreign labour force are the UAE and Qatar with over 80 percent of the overall labour force and the foreign workers do form the majority in every GCC state. Oman has the lowest participation of foreigners in its workforce which it is calculated that presently represents 54 percent. Consider also the outgoing remittances which run to about \$30 billion annually: half of which is sent from Saudi Arabia alone. *(Gulf News Business, 3 December 2005, p.42.)* Services too are heavily subsidised in the GCC countries by the state. The issue is a very real one that the GCC states incur a cost from expatriates living and working in the region. The results from subsidies to a wide range of services such as water and electricity. To offset these disadvantages, we have seen that foreign workers form the cornerstone of economic progress in the GCC by being ready to undertake any possible type of employment.

whereas, as we have seen in the UAE University survey, locals are not prepared to engage in many of these jobs that the foreign worker gravitates to.

“The government has been trying to cope with rising unemployment. The number of people seeking jobs increased to 9,670 by April 25<sup>th</sup>, the highest in several years. This is the highest official jobless number on record. Registered unemployment represents 3.1 percent of the total workforce of 307,000 in Bahrain, which has a population of around 666,000 – one-third of whom are foreigners. This compared with 2.5 percent registered at the end of 1999.” (*Gulf News*, 30 April 2001, p. 19)

The journalist reporting the above quotation commented on the ‘official’ figures, “However, diplomats and bankers put unemployment at around 10 percent including those who are not registered with the Labour Ministry.” At least 12 of those interviewed for primary research estimated that the ‘unemployed locals’ accounted for approximately 10 percent of the labour force. Of course, there is also the position of the women who will not be registered as unemployed, but many of them are desirous of employment and career opportunities.

**Table 35      Unemployed in Abu Dhabi by Sex as a % of the Total Labour Force (1995)**

<b>Total Unemployed</b>	<b>Males Unemployed</b>	<b>Females Unemployed</b>
1.4	1.3	2.4

*Annual Statistical Abstract*, Nos. 23-24, Ministry of Planning, 1998-1999, Table 2/14, p.47

Clearly, this data arises from the official census in 1995, and if it was accurate then, the evidence suggests that it would appear to be presently grossly underestimated and distorted due to a high percentage of the unemployed failing to register.

An interesting twist on the policy of the imposing restrictions on foreign workers can be seen in Kuwait. A meeting was scheduled between three ministries, the Ministries of Interior, Social Affairs and Commerce to discuss ways of ‘rationalising’ the flow of foreign labour to Kuwait and reorganising their position in the country. A reporter commented on the meeting by suggesting;

“The process of rationalising of expatriates in Kuwait would set quotas for every country, on condition that any decisions on this issue would not have any political impact on bilateral relations with the countries that provide Kuwait with a working force.” (Reported in *Kuwait Times*, No.11662, 30 April 2001)

Here, the aim is focused on international relationships and not directly on the best interests of the nation.

In a recent report by the Ministry of Labour and Social Affairs, it is claimed that Asians accounted for 87 percent of the expatriate labour. “In the absence of a strategy to replace foreigners and find jobs for nationals, expatriate workers are projected to climb to around 4.8 million in 2015”, said the study. “More than half a million expatriate workers are in marginal jobs that do not have any contribution to make to the domestic economy. In such circumstances in the labour market, it will be difficult to make concrete progress in switching from cheap and non-skilled labour to highly qualified and experienced labour that will positively influence economic performance.”

The study cited official estimates that put the unemployment of nationals at 9.6 percent and the level could widen unless the government intervenes. The Minister of Labour, Matar Humaid Al Tayer said, “the private sector should shoulder its responsibility in providing jobs to local people as a national commitment, in return for the facilities it receives from the Government.” (Report published in *Gulf News*, 29 July 2002.)

And here we find ourselves having travelled around the full circle. We started out by the Government needing to privatise and diversify in order to attract greater amounts of FDI, in so doing provides inducements and an economic climate to foreign and private investors, such as a more liberal economic and fiscal environment, and then a Government Minister comes along and criticises the private entrepreneurs for not doing enough for nationals when the employment of nationals would result in incurring sizeable extra costs.

This chapter has recommended the employment of a change strategy that is a change in cultural and attitudinal behaviour by locals towards working in the private sector.



Culture and attitudes are notoriously difficult to change and therefore a number of courses of action are recommended:

1. That the process of vocational skills training should be initiated much earlier on – at least in the primary level of education. Greater emphasis could be placed on technical and vocational education and education generally more suited to the needs of private business sectors.
2. That there exists, and will remain for the foreseeable future, a partnership between local and foreign labour. To upset that partnership will do so to the detriment of the national economy. Localisation is a long-term strategy and to impose quotas and penalties will only act as a disincentive for future investors in the private sector.
3. Those differentials in benefits and salaries should be steadily eroded and that a person is paid on the basis of his or her ability to do a specific job to a specific standard (by a measure of competence to do the job). Nationals must divest themselves of the notion that because they are local they warrant a higher salary and better benefits. The mindset prevails, 'I am in my own country so why should I have to adapt to the job market, let the job market adapt to me'. This attitude may or may not be justified in philosophical terms, but for private sector employers and their stakeholders, it is not justified in financial terms.
4. Greater control should be exercised among unskilled workers. To sponsor an expatriate, an employer must be able to prove that they have tried, but cannot get a local to fill the vacancy.
5. Finally, the public sector provides a number of benefits not available to those working in the private sector. It is important that these should not be overlooked. These benefits include non-contributory pension scheme, 5 day week and longer public holidays, better working conditions and greater leave entitlement, high pay and reward system, better training and development facilities, etc. If the government does not incur this expenditure when a local goes to work in the private sector, and to encourage him to do so, it would be a wise move for the government to use this unspent resource to provide these benefits to the employers for locals working in the private sector. This would be both an incentive for employers and motivation for staff.

The attitudinal change also applies to the government agencies that should see the changes from expatriate to local labour as being incremental and not transformational. The most important of these government agencies, in the employment of locals, is TANMIA.

It now follows logically that we should now go on to explore the career opportunities and developments in a group which represents approximately almost half the population; that of the role and status of women in a traditional Islamic society.

## CHAPTER 8

### THE ROLE AND STATUS OF WOMEN IN UAE

**Quote:**

“Women in the UAE have begun excelling in every field of activity, including the tough male-dominated world of business and finance. This reflects the country’s progressive thinking and vision.”

Dr Mansour Alawar

Chairman of the Dubai Quality Group  
(Reported in *Gulf Business News*,  
26 November 2002, P.33.

## **1. Introduction to Chapter**

The last chapter looked specifically at the role of localisation in the economic development of the Gulf and data was presented that conclusively supports the hypothesis that the foreign labour force is essential to the economic growth of the UAE in the near and medium-term. The local workers were looked at in parallel with the foreign workers and evidence was presented that the foreign worker was not in competition with locals for jobs, locals were not interested in jobs in the private sector. Conversely, the study by the University of the United Arab Emirates which looked at the employers' perception of the preferred sector of employment showed that the very sectors which the government has deemed suitable for expansion and diversification, are the sectors where the great concentration of foreign workers are to be found. Hitherto, when referring to locals, the emphasis has been on male employees and key informants. However, it is now time to turn to view how the women locals are positioned as part of the UAE labour force.

This chapter will look at the role and status of women in a traditional Arab and Muslim society such as the United Arab Emirates. It has been seen that the UAE economy is desperately short of skilled and semi-skilled local labour and women represent approximately half of the total population and almost two thirds of university graduates. Thus women have a vital role to play in the development of the social, economic and cultural framework of the society and their active participation, in all these aspects, is explicitly encouraged by the Rulers of this developing society. The chapter will use primary source interviews and secondary data in the form of official statistics to test the hypothesis from the women's perspective and the role that women do, and can, play in the development of the UAE. It will also follow newspaper reports, articles and other forms of media, in order to obtain an understanding of the general pressures and influences, for and against, the involvement of women in the dynamics of cultural and attitudinal change. Locally, this is a highly emotive and controversial topic and attitudes are firmly based in the long and rich tradition of Arabic culture. But, according to all the male respondents interviewed, the practice as formulated by men is a way of protection for the status quo.

This chapter, exploring the role and status of almost half the potential local labour force, has been placed intentionally where it has been toward the end of the thesis, because much of what has been researched and described in the rest of the thesis applies equally to the perception of:

- The role and context of women as local Emirates
- The contribution to be made by the group of emirates to the building of UAE society.

The irony here is that women have always worked and one only has to look to the Prophet's Mohammed's (P.B.U.H) first wife Khadijah bint Khuwaylid to provide the justification of women as businesswomen (She was the first person to accept Islam.). It must also be qualified that we are dealing here with UAE and that the position of women in society and the economy, and the interpretation of tradition, differs considerably from one country of the GCC confederation to the next.

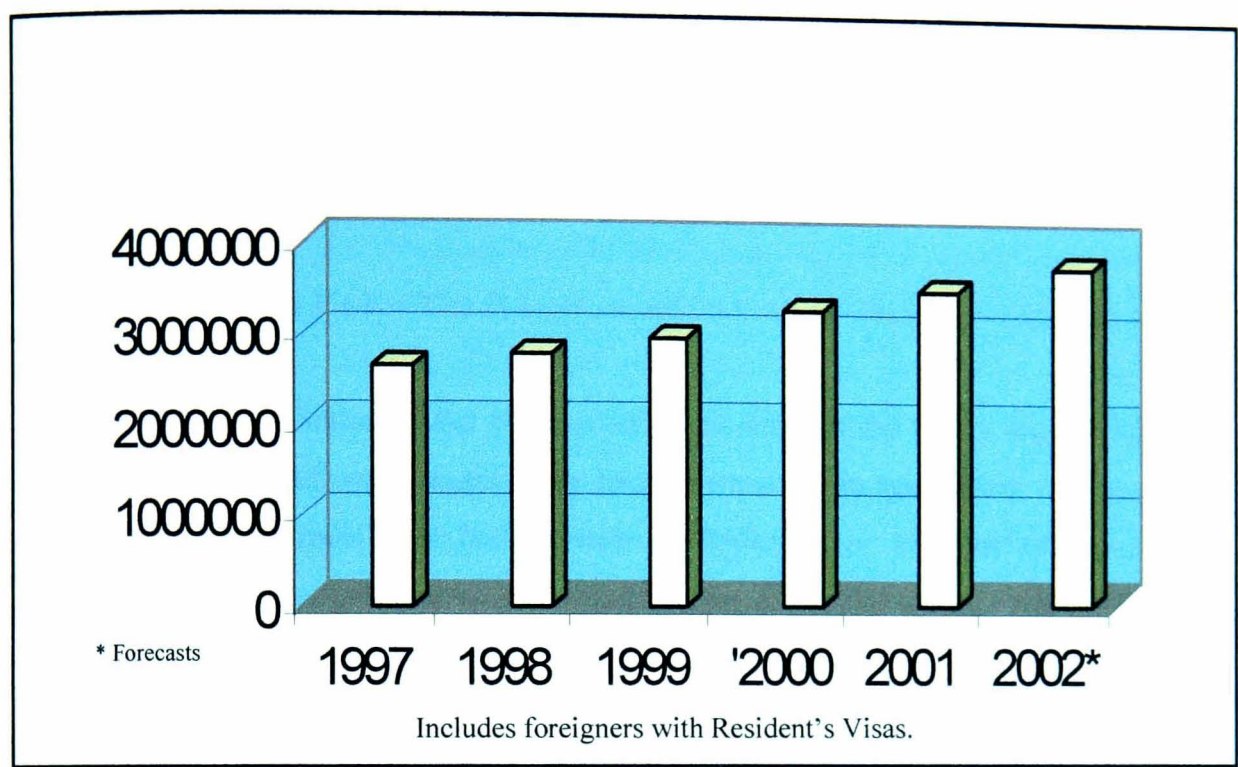
Emphasis is placed on the encouragement from the Rulers of all the emirates for women to look to their role as community builders as well as their roles as wives and mothers and the quote on the title page gives some insight into the direction that the role and status of women in UAE is taking. The chapter will highlight the juxtaposition of abundant formal qualifications but low employment opportunities and it attempts to explain, according to primary research sources, why women are below the numbers of men in the community, but their representation in further and higher education is much greater. Arising from the analysis are listed some suggested performance indicators.

## **2. GCC and the Labour Force Generally**

It is worth reiterating the position in regard to the indigenous population in the GCC area generally. Currently, some 60 percent of the Gulf's native population is under 25 with many more of its citizens in school than in the workforce. There are two dominant facts of employment in the area – the drive towards 'nationalisation' in all GCC countries and a generation of rocketing employment opportunities with the processes of privatisation and diversification. In every GCC country the population will double by 2020. (The *Economist*, 26 March 2002.) This chapter will focus on job

opportunities for women within the UAE, but it is worth at the outset reminding ourselves of some of the official data:

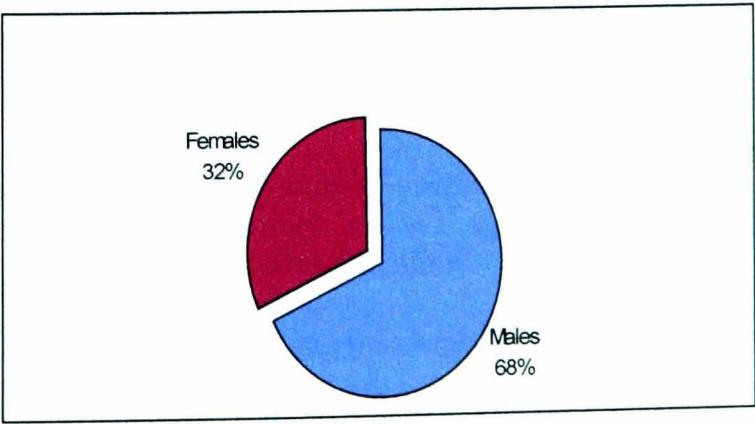
**Table 36      Population Growth in UAE 1997-2002**



Source: Published material in *Annual Statistical Abstract*, 1998-1999, Nos. 23/24, Ministry of Planning, Table/2/3, p.33, & unpublished data supplied personally By the Director of the Central Statistical Office, Ministry of Planning, p.16

Table 37 indicates a steady rise in the population, which includes citizens and non-citizens and shows that the population of UAE is almost at 4,00,0000. It is necessary, in this chapter on women in UAE, to understand at the outset that women do represent a minority of the UAE population by a fairly substantial proportion.

**Table 37      Population by Gender in UAE (1999)**



Source: *Annual Statistical Abstract*, 1998-1999, Ministry of Planning, Nos. 23/24, Table2/3, p.33.

Table 37 illustrates the gender differentials within UAE. In short, for every one female there are at least two males but as we shall see, in higher education, the data is reversed. In part the differential can be accounted for by the large contingent of foreign labour that is characterised by young men who cannot receive a visa for their wives and dependents.

### **3. Women in UAE – The Inception and Role of the Women’s Federation**

Prior to the exploitation of the oil reserves in the area (in the 1960s and 1970s), the women of the UAE were traditionally heavily involved in agriculture. At this time, the men would travel with their camels as Bedouins, or take part in the major occupations of the time that were trading, fishing and pearl diving. While the men were away from home, the women not only looked after the children, but also cared for the agricultural livelihood of the family. It must be stressed that neither in traditional practice, nor in the teachings of the Holy Koran, has the woman’s role been totally confined to raising children and looking after the family. Indeed, as we have seen, the Prophet’s (P.B.U.H.) first wife and conceivably the first Muslim, was an entrepreneur and businesswoman. However, the reader should be aware that there are contrary interpretations on the position of women, for example in Saudi Arabia, and practise is much different as a result of different interpretations. However, it is worth looking at a brief chronology of achievements that led to ‘emancipation’ of women in the Arab region: <sup>(Data from Munif 2003)</sup>

- Women in Djibouti were among the first to gain the right to vote in 1946 and won the right to be elected in 1986.
- Syrians got the right to vote in 1953 and joined the Peoples’ Assembly in 1972.
- Women in Egypt won the right to be elected to the Peoples’ Assembly in 1957 but entered the parliament only in 1991. Helmat Abu Zeid in 1962 became Egypt’s first female minister of social affairs.
- Farida Ibrahim became in 1972 the first Arab and Sudanese female judge.
- Aisha Rateb became Egypt’s first Ambassador to Denmark.
- The first women minister in the Gulf Region was Sheikha Aisha bint Khalifan bin Jameel Al Sayabiyah, appointed in March 2003 in Oman as Minister of National

Authority for Industrial Craftsmanship. She was shortly followed by another woman minister in Qatar, Sheikha Al Mahmoud as Minister for Education.

One of the last acts of H.H. Sheikh Zayed (of blessed memory) was to appoint a woman to one of the most powerful positions in the UAE political establishment; that of Minister of Finance and Planning. Sheikha Lubna Al Qasimi is well qualified for this role. She is an IT specialist and before taking up this political role, Sheikha Lubna was the Dubai Branch Manager for the General Information Authority, the organisation responsible for automating the Federal Government of the UAE. She has more than 10 years of IT management experience in the Middle East and holds a Bachelor's degree from California State University. She was originally 'sponsored' by H.H. Sheikh Mohammed bin Rashid Al Maktoum, Crown Prince of UAE. Sheikha Lubna stands witness to two important elements in this discussion: (1) That qualified women are welcomed by the Rulers of UAE to participate in the highest form of government and, (2) there are no religious or cultural reasons why women should not make a similar contribution to men, given the same skills and abilities. We shall be hearing from Sheikha Lubna below, but suffice it now just to quote her response to the question, 'Do you think that participation of women in these projects is important (IT and business projects)? Her reply, "Absolutely! Women have a tremendous contribution to make in the IT and business worlds. I find that women bring a great deal of creativity and business acumen to an organisation." Currently, she is attending the WTO meeting in Hong Kong requesting the end of duties on primary aluminium. That is representing the interests of Dubai specifically.

Clearly, Sheikha Lubna has stood by her principles and has personally shattered the '*Glass Ceiling*'. She has also confirmed the two points (1 and 2) in the previous paragraph.

It is worth looking at the responsibility and the enthusiasm of the woman in the next quotation. This interviewee, at present following a course at the Emirates Institute of Diplomacy in Abu Dhabi, stated;

"I love it here (Ministry of Foreign Affairs where she started work a year before as an attaché). It's a place where we can learn and specialise in international relations, learn about new cultures and get an opportunity to project our society in the correct light and serve our country."



Since the inception of the Federation in 1971, the belief that women are entitled to have an equal place in building society has been enshrined in the UAE Constitution where women enjoy the same legal status, claim to titles, access to education and the right to practice in the same professions as men. The Federation's Constitution, of course, itself is founded on the Shariah (Muslem Law) and the UAE Women's Federation, headed by Her Highness Sheikha Fatima bent Mabarak, the wife of the last President, H.H. Sheikh Zayed bin Sultan Al Niehyan, has played a leading role in encouraging Muslem women to play a full role in building their society. H.H. Sheikha Fatima founded the first women's society in the UAE in 1972, the Abu Dhabi Women's Society (Just one year after the inception of the State.). However, impartial observers of the Islamic society in UAE comment freely that a legislative framework alone, although essential, would have been inadequate to achieve the desired emancipation without the enthusiasm and skill of the President's wife. The evidence from both male and female informants suggests that Sheikha Fatima has worked tirelessly to achieve her own, and Sheikh Zayed's vision of a modern society based on Arab and Islamic traditions, and a major element in this process was the organising and mobilisation of the women – representing under half the population. H.H. Sheikh Mohammed bin Rashid (Crown Prince) has also played an active and positive role in promoting the equality of women within the Constitution.

The success of the early Abu Dhabi Association (Womens' Federation), led to the creation of the Dubai Women's Development Society, the Sharjah Women's Development Society, the Umm al-Mou'meneen Women's Development Society in Ajman, the Umm al-Qaiwain Development Society and the Ras Al-Khaimah Women's Development Society. These societies, under the leadership of Sheikha Fatima, were subsequently amalgamated under the umbrella organisation – the UAE Women's Development Federation. To date, the Federation has played a highly significant role in assisting the women of the UAE to realise their full potential – and the work continues.

The UAE Women's Federation was founded in 1975, just four years after the founding of the Federation itself. It is not difficult to find the view of H.H. Sheikha

Fatima's perception on the role of women in society. In response to a specific question on the role of women, she replied:

"The Arab woman has gained a lot of achievements in various fields. She has got the right to education, to work, health care and participation in decision-making. However, it remains her duty to build a tenacious family and support the national economy through productive labour" (Quoted in *Gulf News*, 25 May 2002, p. 33)

Note the dual role of women as outlined in the quotation: that of building the family and building the nation 'through productive labour'. This phase is directly relevant here. In 9 of the 20 interviews carried out with women team leaders, the phrase "My husband would not like ..." was used in some form or other. (15 of the 20 women interviewed were married.) This is indicative, if added to H.H. Sheikha Fatima's quotation above, it indicates that working women do not violate in some way the tenets of the Holy Koran, but that the topic is largely a question of widespread social and cultural attitudes. When Sheikha Lubna was asked a similar question, 'How do you see the UAE women's role in business?' She replied:

"UAE women have enormous potential as entrepreneurs, managers, business owners, consultants – they have a wealth of options. The current generation of UAE women is well educated and interested in developing employment skills. When I was appointed publicly as the Managing Director of Tejari, Sheikh Mohammed Bin Rashid Al Maktoum called upon UAE women to develop their full potential for the benefit of the national economy, and I believe that they will take up his call to do so."

Indeed, His Late Highness Sheikh Zayed bin Sultan Al Nahyan reiterated on many occasions:

"Participation of women in the political life is the main right of women and it does not oppose the Arab tradition and Islamic values ... the women have a right to attain the highest working positions and be decision makers at the service of their country, also participating in political life." H.H. Sheikh Zayed, quoted in *Gulf News*, 17 May, 2004, p.7

The UAE's Women's Federation is an autonomous organisation with its own dedicated budget. It is managed by a number of committees that organise the various activities such as religious affairs, mothering skills and childcare, social affairs,

cultural affairs, sports, heritage and the arts. Depending upon the geographical size of the emirate, the individual societies may have more than one branch and there are now a total of 31 branches of the six societies, many operating in the more remote areas of the Federation. Activities undertaken by the individual branches include the eradication of illiteracy, nursery classes, housekeeping, dressmaking and handicraft, art classes, child care guidance, health education, vocational training projects, job placement programmes, religious education, welfare assistance, family advice, including mediation services, as well as a calendar of social, cultural and sporting events. As part of efforts to revive the nation's heritage, an environmental group was initiated in 1978 at the Women's Federation in association with the United Nations Development Programme and the ministries of health, labour and social affairs.

In April 1998, Sheikh Zayed inaugurated the new Headquarters of the Women's Federation in Abu Dhabi. It is a three-story building built in traditional Arabic style and occupies approximately 8,000 square meters. The building cost Dhs 22 million. The declared priorities in the early days for the Women's Federation was to facilitate the emergence of women from the seclusion to which they were subjected and subjugated; to enable them to use their leisure time for practical and functional purposes, such as literacy training and to acquire knowledge about the modern world to enable them to raise their families' standard of living. However, today's declared goals are linked to comprehensive social planning in the country with a view to increasing social cohesiveness.

The Federation is involved in the first demographic survey of women and in the implementation of resolutions issued by the 1995 women's summit in Beijing. The Federation is also engaged in health, education and social campaigns to raise the standard of living of UAE families. Sheikha Fatima has stressed the need to make further efforts to upgrade the standard of humanitarian and social services. In 1999, she also called for priority to be given to the aged and disabled as part of the Women's Federation strategy. The Women's Federation is currently cooperating with the Marriage Fund's efforts to provide support for the family unit. In a speech delivered at the 'Fourth Women's Conference' under the auspices of the Ministry of Health in May 2002, Sheikha Fatima said that family stability was a very important element in the 'progress of the nation'. At the same conference, Hamad Abdul

Rahman Al Madfa, Minister of Health, stressed the importance of organising such conferences to exchange information about health and social issues related to women and families, in order to foster social stability. Dr. Hajer Al Hossani, Director of the Maternity and Child Care Central Department said that the UAE's policy was to provide all the necessary requirements for a healthy family life within the context of the Islamic religion. Attending the graduation ceremony of the sixteenth batch of female graduates from the UAE University, Sheikha Fatima had a similar message to disseminate:

“On this occasion of the graduation, I would like to tell the UAE's girls not to forget that they are the mothers of the coming generations who are required to carry the torch of civilization and progress. The women have a chance to take part in the fields of decision-making and I dream of the day when UAE girls become pioneers in the arts and in technology, within the framework of Islamic teaching.”

The objects of the UAE Women's Federation are indicative of the centrality of the role of women in the building of the 21<sup>st</sup> Century UAE.

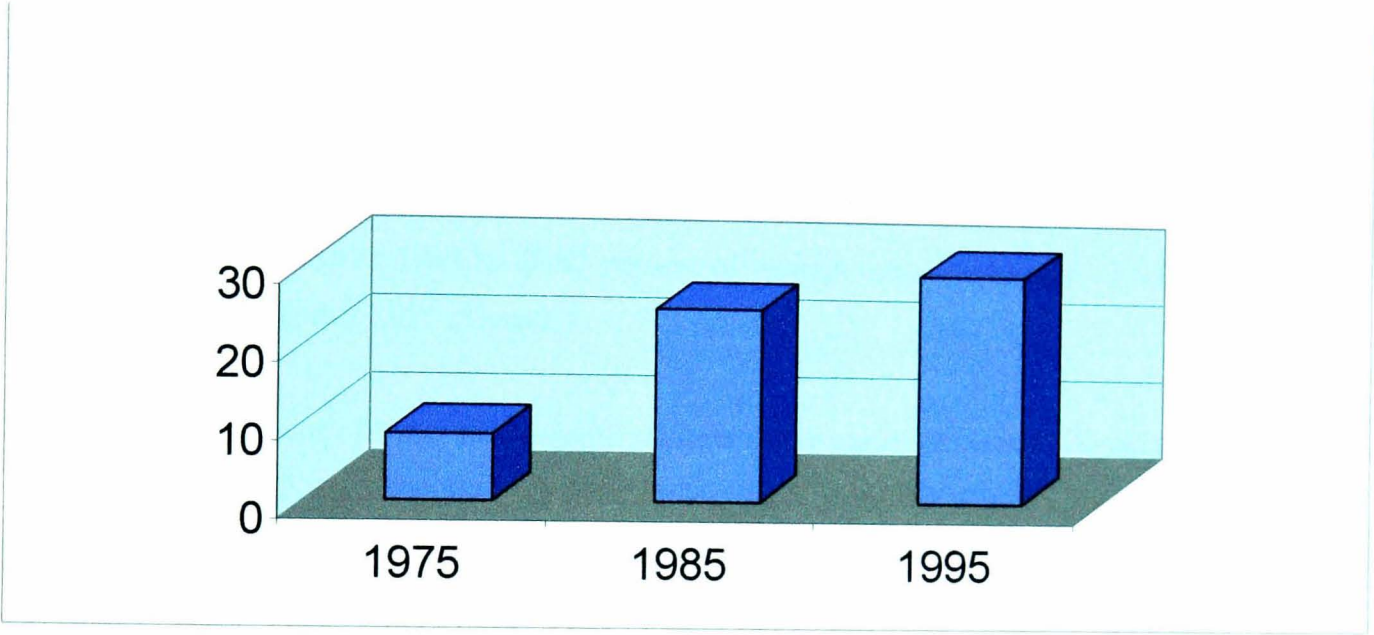
#### **4. The Marriage Fund – A Way of Perpetuating UAE Culture**

Apart from officiating at both national and international conferences, another concern of Sheikh Zayed is to stop the erosion of the Islamic culture through inter-marriage and this led to the creation of the *Marriage Fund*. Remembering that the indigenous population is only a small minority in their own country and that the foreign influx of single men of marrying age from Asia who *de facto* are looking for security and stability (which includes marriage in a lot of cases). In these circumstances and recognising that a remedy to stop the increasing incidence of inter-marriage was required, Sheikh Zayed decreed the creation of a special Marriage Fund which offers UAE couples (the qualification is not just that they are both Muslem, but they also both have to be UAE citizens), will receive financial incentives by grants, long-term loans etc. in order to defray the costs of young married couples getting a positive start to their marriage within Islamic and Arabic traditions. In the past, social stability has been threatened by the high rates of marriage between UAE nationals and foreign women, leaving many UAE women nationals unmarried. With a small population,

these women were lost to Islam in terms of generations to come and their lives were monotonous and miserable.

We can see from the data in Table 38, that there is cause for concern in terms of the fairly substantial rise in the numbers of unmarried women. The trend for women to be unmarried is still continuing, even with the Marriage Fund.

**Table 38      Unmarried Women in UAE (% of Population 15+)**



Source: Adapted from *Annual Statistical Abstract*, 1998-1999, Ministry of Planning 24, Table 2/8, p.39

The crude data for Table 38 is as follows: In 1975 there were 108,122 unmarried males in UAE over the age of 15 and 10,143 females. By 1995 this had increased to 393,977 males and 163,679 females (bearing in mind that there was approximately two males for every female).

**5. Women and Marriage in UAE**

A survey of male and female students at the United Arab Emirates University and other institutions of Higher Education, conducted by the Dubai Women’s Association, revealed that according to women respondents, an increasing number of national women are getting married at a later age in the UAE. The survey dealt with

the impact of later marriages among national women and its overall impact on society generally. It concluded that changing social values, the desire for education, high marriage expenses and an increasing number of local men marrying expatriates were among the reasons why local women married late or did not marry at all. While the majority of men cited lack of funds as a reason for marrying late or why they do not marry at all, women complained that the men go for mixed marriages as a less expensive option. Meanwhile, also bearing in mind the gender ratio in UAE, women experience difficulties in finding prospective husbands who are responsible and of good social status. Table 39 illustrates the percentage difference between 1975 and 1995 in the marital status of UAE national women and how the data remains fairly constant with a slight decline in the incidence of marriage among females in 1995 (from 28.18 percent in 1985 to 25.87 percent of women over 15 years of age at the time of the December 1995 census).

Almost 87 percent of male respondents said that later marriages were a problem to society, while 32.5 percent felt high marriage expenses were one of the causes of later marriages among women and 47 percent suggested that the perspective's bride's family should no longer expect a dowry. The majority of male students complained that the girl's family expects too much from national men. Parents demand a high dowry and expect their would-be son-in-law to work in a managerial position preferably in a government organisation or a reputable company and drawing a good salary. <sup>(www.uaeforever.com)</sup> On average Dhs 50,000 is given as a dowry to the bride's family and Dhs 250,000 is spent on the bride's trousseau of clothes, cosmetics and jewellery. The cost of wedding receptions and parties, which can range from Dhs 50,000 to Dhs 150,000, in addition to other expenses needed, would take months or even years to repay. However, in the above study, 37.5 percent of the male respondents said that they were not against later marriages, preferring brides between the ages of twenty and thirty years. The study concluded by recommending that parents of local women should not expect too much from their prospective son-in-laws and the better off on both sides should bear the burden of the expenses.

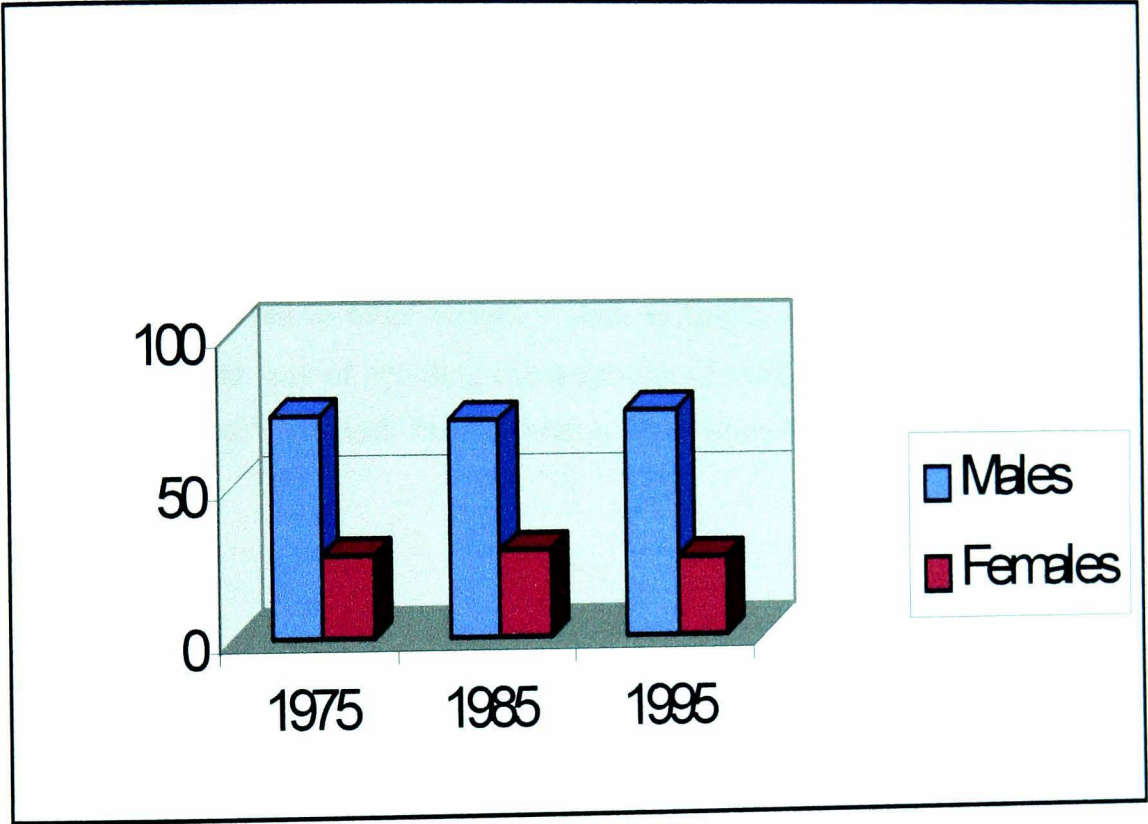
The Marriage Fund allocated Dhs 250 million in the Federal Budget for the year 2000 and this was increased from Dhs 237 million in 1999. <sup>(UAE Yearbook, 2000/2001, p.212)</sup> The Marriage Fund has proved to be very successful in relation to its objectives and



although it is generally believed to be funded by Government funds, one of the interviewees for this study (a senior manager at Etisalat) is certain that the funding for this project derives from the profits of the monopoly telecommunications company.

Table 39 shows that the married population and the ratio of men to women aged 15 and over has remained pretty constant in the 20 years covered by the data.

**Table 39      Population 15 + by Gender and Marital Status 1975, 1985, 1995 %**



However, deregulation of the telecommunication industry is planned for mid 2006. A new company, Emirates Integrated Telecommunication Company (EITC) is expected to start operations with a paid up capital of Dhs 4 billion. According to the Telecom Regulatory Authority (TRA), the new operator will be offering mobile services, which are expected to cover most of UAE, fixed telephone lines, internet and other services. The UAE government will own 50 percent of the capital in the new company while two other companies share the other 50 percent. The Director General of the TRA, Mohamed Al Ghanim said; The UAE telecom Supreme Committee has approved the memorandum and articles of association of the new company of the new company in order to start its registration procedures. (Reported in the

*Gulf Business Khaleej Times*, 10 December 2005, p.37.) When the industry is opened up to competition

by private shareholders, what happens to the Marriage Fund? Will a privatised publicly floated company, possibly owned by foreign investors, be prepared to contribute to the well being of marriage between locals being taken out of the profits of the company?

However, before his sad passing, H.H.Sheikh Zayed waged a vocal and successful campaign to put an end to the practice of high dowries and to limit the cost of some of the lavish weddings. Upper limits of Dhs 50,000 (approximately \$14,000) have been imposed on the dowries (which Sheikh Zayed believes served to encourage inter-marriage) and the prohibition of the extravagant weddings that are enforced by legal sanctions; a prison sentence or a Dhs 500,000 fine for the couples concerned. Special wedding halls have been built where celebrations can be held without the expenses that would be incurred in other venues – such as hotels. Group weddings are also becoming a popular way of avoiding excesses: one of UAE's largest mass weddings took place at Dubai's Al Safa Park in March 2000 when 376 couples married in a joint celebration.

## **6. Women and the Decline of Illiteracy**

Women's societies, working in partnership with the Ministry of Education, have played a major role in reducing illiteracy amongst women in UAE (and elsewhere). The illiteracy rate which stood at 77.6 percent in 1980, dropped to just 11.3 percent in the official census of 1995. The Government's target was to achieve total literacy among women by 2000. The decline in illiteracy between 1975 and 1998 can be seen most graphically in Table 40 below, particularly in gender differences. It is noteworthy that of the twenty women team leaders interviewed for this study, seventeen were graduates and the remaining three had the equivalent of a HND from local Colleges of Higher Technology. These are also considered of 'graduate' status. There were a three further women outside of these twenty who can be classed as key informants. These were interviewed for specific reasons, for example one of them is a Occupational Therapist working in the public sector and dealing largely with the problems of the locals working for this company. This was a useful contact as it facilitated a greater understanding of the problems faced by locals.



In addition to the work of the Women's Federation and the Ministry of Labour, the decline in illiteracy has been facilitated by the widespread availability of literacy classes at adult education centres throughout the UAE. In 1993/4 there were 89 adult education centres for females and 54 for men (143 in total); by 1997/1998 there were 74 female centres and 47 such male centres in operation (121 in total). The raw data indicates that these centres accommodated 17,756 students in 1993/4 and 17,968 in 1997/8. (*Annual Statistical Abstract*, 1998-1999, Ministry of Planning, Table 13/13, p. 369.) The significant factor here is that 58 percent of the students in these centres were female but, bringing the real position into sharp relief, in 1985 the sex ratio (that is the number of males per 100 females) was 185 – almost twice as many males as females. By 1995, it was double with 200 males for every 100 hundred females. (*Annual Statistical Abstract*, 1998-1999, Ministry of Planning, Table 13/13, p. 369.) This indicates a much higher attendance for literacy education for women than for men. The implications here are four-fold and the reality lies somewhere in a combination of all four:

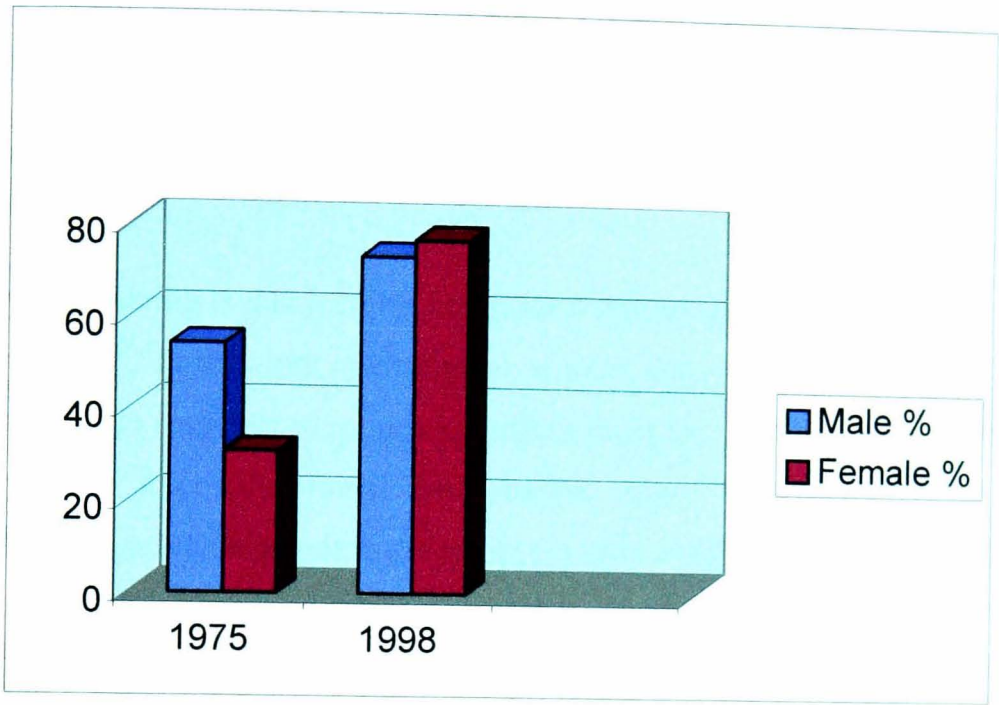
1. The women started from a much lower threshold of literacy and therefore needed to 'catch up'.
2. The women were more concerned than men in relation to their levels of literacy.
3. From a cultural perspective, the role and status of women in UAE was 'opening up' in all areas outside the home and literacy was the key to the door of liberation, career objectives and social status.
4. Women were encouraged by the authorities and Women's Associations.

We can see clearly from Table 40, that women have made the greatest impact on the eradication of illiteracy in the UAE. How far progress in closing the 'illiteracy gap' has been made can be vividly seen in an answer during an interview to the question "What are the obstacles hindering the emergence of more businesswomen in various fields?"

This question was put to Her Highness Sheikha Fatima bint Marbarak whose response was "I personally don't see any obstacles to women taking up business." (Interview quoted in *Gulf News*, 25 May 2002, P.7.) This is perhaps somewhat

understated as there certainly are cultural and attitudinal constraints militating against women succeeding in business, but these are diminishing very rapidly within the area of the focus of this study – United Arab Emirates and its labour supply. We can see this from using a few examples of ‘successful’ women.

**Table 40      Literacy Rate in UAE, 10 Years and Over, 1975 & 1998**



**7. The Dual Role of Women**

**Women as homemaker and contributor to the development of society**

In an editorial by Anupa Prathap Mathew in the *Gulf News* recently, reasons;

“Women are fundamental to everything that society does. Arab women are recognising this aspect of their role and forging ahead to reduce their unequal access to all levels in the world of science.” (*Gulf News Tabloid*, 5 May 2001, p.1.)

One must recognise this as a remarkable achievement when one considers that the Gulf countries (including the area now known as the United Arab Emirates), didn’t even have a proper school system a mere forty years ago. At this time, it was taboo to educate girls. Now, particularly in the e-commerce economy of Dubai, women play a role from Chief Executive Officers of IT companies to Under-Secretaries in Government Departments and diplomats in the Foreign Office, women have carved a

niche for themselves in senior management. As the Crown Prince stated when presenting an award for quality of service to a women Under-Secretary in the 2000 awards, “Women of Islam awaken and play your part in building our Society”. In answer to a question to Shaikha Lubna, ‘How do you see the role of Arab Women changing? She responded:

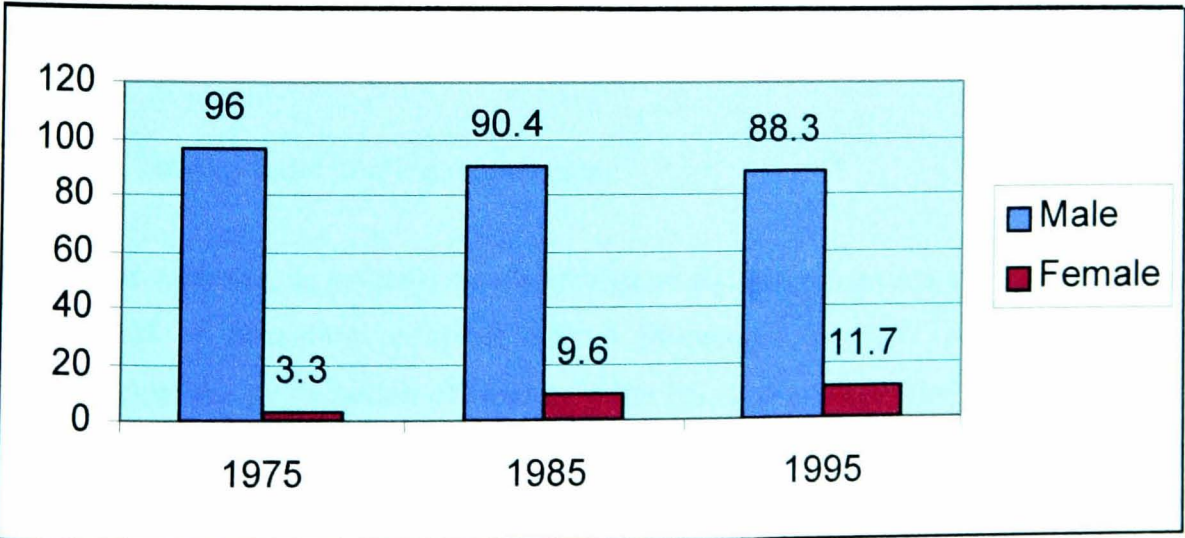
“Arab women are now making significant contributions in so many fields. What we may see is a more external, public role for Arab women- the internet and media today turn a powerful spotlight on the achievements of Arab women so that there is greater understanding of the roles that they are playing.”

What was interesting is that a college education can be said to prepare women for the ‘world of work’. In the work environment, women work side by side with their male colleagues but in response to a question put to them in the primary research relating to studying in a co-educational environment, some 75 percent of the women articulated a negative comment to the effect that this would be a retrograde step.

**8. Labour Force Participation**

How far has this ideal been achieved? In 1975, the labour force in UAE comprised 293,788 people. Of this total, a mere 9,803 or 3.3 percent were female. By 1985, (after the commercial production of the oil resources) the figures were 683,825 of which 65,415 or almost 10 percent were female. In the decade since 1985, the female representation in the labour force in UAE has doubled. This can be clearly illustrated by reference to Table 41.

**Table 41      Population (15 and over) by Relationship to Labour Force and Sex – 1975, 1985, 1995**



Although this does represents an impressive and steady increase, but today (2004) there is still less than 20 percent of women actively involved in the labour force (and 73.4 percent of the total of male population in the same category), (This unpublished data was supplied by the Director of the Statistical Office, Ministry of Planning. Official data refers back to the last census of 1995. )

By comparison, Saudi women represent only 4.03 percent of the total workforce. The lowest in the GCC countries. (*Khaleej Times*, 17 December 2005, p.8) Table 42 (official data) together with the unpublished data cited above, both indicate that women still have a long way to go to be participating equally in the development of the community/country, but the significant point to emphasise is that there has been a quantum shift from compulsion (not to work) to choice (whether to work or not). However, this data is only meaningful if seen against a background of employment and unemployment. The primary research interviews revealed more information relating to the social attitudes prevailing against women working. One of the questions asked was “What do you feel about the maternity benefits given by your organisation. Four women out of 20 stated that they would not take advantage of them because (one interviewee reflecting the thoughts of the four) “I will feel ashamed for my male colleagues who will have to do my job when I am on maternity leave”. The impression given here is that work provided some form of interlude between their childbearing functions and nine respondents stated that after the birth of their first child, they would start their own business. When consideration is given to women’s participation in the labour force, it is essential to remember that participation in higher education by women is much larger than participation by men. That means that UAE is turning out more women graduates who don’t appear to be converting their graduate status and qualifications into professional work.

## 9. Employment and Unemployment

In crude numbers, as a result of cultural change and government policy particularly in the field of education, coupled with a percentage increase of women in the population, the participation of women in the labour force has risen from 9803 (3.34 percent) in 1975, to 65,415 (9.57 percent) in 1985 and to 15,5790 (11.66 percent) in 1995. (Adapted from *Annual Statistical Abstract*, 1998-1999, Ministry of Planning, Table 2/11, p.44.) (See Table 41)

Women as a percentage of the labour force have increased their share by a massive 16



times between 1975 and 1995. Conversely, 328,936 (80.37%) of all women in UAE are not economically active. This can be broken down further into the representation of women in the various emirates in 1995 as indicated in Table 42/43.

It is no coincidence that Dubai, probably the most liberal and ‘progressive’ of all the emirates, has the highest percentage of women at work. Similarly, the UAE has the highest percentage of labour force to population of all the GCC countries and more than double the population growth of any of the other GCC states.

In addition, by examining the ‘average population growth’ one can obtain some insight into the future labour force development. Clearly, the population of Kuwait has declined by 2.0 percent whereas UAE has increased by 7.0 percent (2002). These points are illustrated in Table 42 below: This is illustrated as follows:

**Table 42      Labour Force as a % of the Total Population by Sex and Emirate - December 1995**

Emirate	Total	Females	Males
Abu Dhabi	56.5	16.7	74.4
Dubai	62.6	23.5	79.8
Sharjah	51.2	20.0	69.5
Ajman	48.3	22.2	65.6
Umm Al-Qiwain	45.1	20.0	62.3
Ras Al-Khaima	42.0	16.7	59.9
Fujeira	40.2	15.6	57.9
<b>Total</b>	<b>55.4</b>	<b>19.4</b>	<b>73.4</b>

Source: (*Annual Statistical Abstract*, 1998-1999, Ministry of Planning, of the Statistical Office, Ministry of Planning. Table 2/12, p. 45.). The interpretation given by studying the table title is that the figures in the male and female columns represent a fraction of the percentages in the ‘Total’ column. So, for Dubai, 16.7 percent of the labour force is female. 73 percent is male. In the ‘Total’ column the corresponding figures are 19.4 percent and 73.4 percent. Presumably, those who have not registered as being unemployed account for the shortfall.)

It is significant that on the agenda of the GCC Annual Meeting in Abu Dhabi, held in December 2005, fears were expressed on ‘the growing pressure from international organisations to allow expatriates to settle down in GCC countries and to give them

equal rights'. It is not too difficult to suggest that these 'international organisations' are the International Labour Organisation (ILO) and the World Trade Organisation (WTO). The ILO guidelines and Principles are outlined in Appendix 6, but it is manifest these do not only apply to discrimination against foreign labour, they will also apply to the maintenance of equitable treatment between male and female employees.

The GDP of UAE also reflects the relative wealth of the country. In 2000, the GDP per capita was \$19,550. This is an enviable statistic that most countries would be happy to realise. <sup>(Business Monitor International, Q2, 2002, p.2.)</sup> It is this environment that many women are eager to contribute and share.

It should be noted in Table 43 below, the total population growth for UAE is double that of any other GCC states, and this reflects the growth of the economy. If this reasoning is extrapolated, it can reasonably be argued that it is the foreign worker that is concentrated in the wealth producing private sector and this, in turn, brings us back to the working hypothesis that the foreign worker is essential to sustain this economic growth, both now and in the mid-term.

**Table 43      Population, Population Growth and Labour Force Within GCC**

<b>Indicators/Year 2000</b>	<b>Kuwait</b>	<b>Oman</b>	<b>Qatar</b>	<b>K.S.A.</b>	<b>Bahrain</b>	<b>U.A.E.</b>
Population (000s)	2228	2361	562	22033	689	3247
Average Population growth (%)	-2.0	1.6	0	3.2	3.6	7.0
% labour force to population	54.9	27.3	57.8	32.3	41.2	58.8

Source: Unpublished data supplied by Director of Central Statistical Office, Ministry of Planning, personal interview, July 2002

It is estimated that currently the number of foreign workers in the Gulf countries is 12 million and it is expected to reach 18 million in 12 years. <sup>(Reported in Khaleej Times, 16 December 2005, p.6.)</sup>

10. Preferred Occupations for Women

Opportunities for women have expanded to meet their availability and qualifications for work and professions. In 1995, the position taking the top three listed categories of occupation was as follows in Table 44:

**Table 44      Economically Active Population by Sex and Occupational Categories - UAE 1995**

Category	Females	Males	Total	Females % of total
Law-maker, senior officials & directors	4,326	56,587	60,913	7.1
Specialists & scientific personnel	28,166	77,221	105,387	26.48
Technicians & assistant specialists	14,263	62,550	76,813	18.57
Totals for the 3 categories	46,755	196,358	243,113	19.23

Source: Adapted from *Annual Statistical Abstract*, 1998-1999, Ministry of Planning, No.s 23/24, Table 3/3 p.65

Table 45 suggests that the percentage of women in the top three categories reflects their representation in the total labour force generally. More so if one considers that their proportion in the population generally is much lower than the males and that their representation in the lower categories of occupations is much smaller. For example, in the ‘unskilled’ category in 1995, there are 67,596 males and only 19 females listed (a percentage of females realising just 0.03 percent).

In terms of quality of employment opportunities, raw data of employed and unemployed women reveals very little. It is the data relating designation and status of the women who have chosen to become educated and trained that is significant. It is therefore worthwhile to look at the data for those women who are (and have) taken advantages afforded by the educational opportunities. However, as part of the primary research, semi-structured interviews with women in major Abu Dhabi companies (20 such interviews), suggest that there does exists a rather insidious form of

discrimination against women employees which goes against the traditional Arab culture, against Islamic teachings and certainly goes against the advice and encouragement of the political leadership. It also goes against good practise in terms of western human resource management. One female employee (Aydan) who works as a systems support engineer expressed great negativity about her future career objectives. She is a personification of the conceptual 'glass ceiling'. As a highly qualified IT professional, with a degree in computer science from the University of UAE, she pointed out that after she has a baby, she probably will not return to work as in her job responsibilities as a technical support worker for a major oil company, she will have to do 'shift work', and this is inconsistent with her role as a wife and mother. She complained confidentially of overt discrimination and illustrated this from a company perspective by expressing some hostility towards her employers for not providing prayer room facilities for women. "This basic facility exists for men", she complained, "why not for women." She also felt strongly that although she worked in a team with a number of men (all of whom were older than her), she felt that she would never be promoted further as 'you just don't have a women younger than the men she is responsible for'. Handy's 'Shamrock Structure' was mentioned in the context of her organisation adopting a more 'flexible' approach and that there must be many IT functions which she could perform remotely from home, whilst still maintaining her position as wife and mother. "Although women have a dual function" she complained, "little assistance is given to facilitate this. I often think that many of the policies adopted by managers are designed to deter women working, rather than encourage them." She was eager to receive advice on the nature of the Handy's three-structure model and suggested that they be presented to her senior managers, but without reference to her specific situation. The research interview with the late President's personal adviser did emphasise that the political culture of the UAE inherently protects the status of women and employers are urged to facilitate their position as working wives and mothers. This may require positive intervention, but whatever one's attitude towards the adoption of this form of discrimination, it is the expressed policy of the Rulers of UAE.



## 11. The Glass Ceiling

### **Women and inequitable access to management opportunities**

Another local female colleague (Ebithal), equally qualified and experienced whose job designation is listed as 'senior accountant', obtained a Bachelor of Accounting Degree at the University of the UAE and then went on to pass the examinations as a Certified Accountant. She has occupied her position in the organisation for a period of ten years, but she too typifies the 'glass ceiling' approach.

"I will never be promoted beyond my present position", she claimed, "as managers, in reality, organisations don't want women in senior positions. Indeed, my manager has openly declared that he will not take on any more women, as most of them do not pull their weight as workers". (Interview conducted June 2002)

This informant supported her contention of discrimination against women by pointing out that there are no women senior managers working in the oil companies, but she also stated that 20 years ago, there was no female staff at all working for the oil companies. "My mother didn't work at all", she pointed out, but this was met with the comment that "neither was your mother a qualified CPA working or a MBA". It is interesting that this post-holder occupies a position as a team leader. When she was asked what this implied, and how she perceived the role of 'team leader', she immediately made the distinction between a team and a group – pointing out that a team is kept together by a common purpose, collective responsibility and complementary skills. In fact, she complained, her line manager (who is not an accountant) makes all the decisions without consultation, even though the so-called team comprises a number of professional accountants. "We are not a team, we are a group of individuals who are brought together under a misnomer. As a 'team leader' I do not 'lead' anyone." This situation is fairly common and was expressed by many of the 20 female interviewees, and it clearly violates the principles enshrined in the Holy Koran:

"The Koran orders those in authority to use participative leadership with subordinates in directing (AL 'IMRAN, P.97.) The participative ordered by ALLAH in concerting with one another before taking a decision, is pioneered in Islamic principles inducing sharing in decision making, leading thus, to

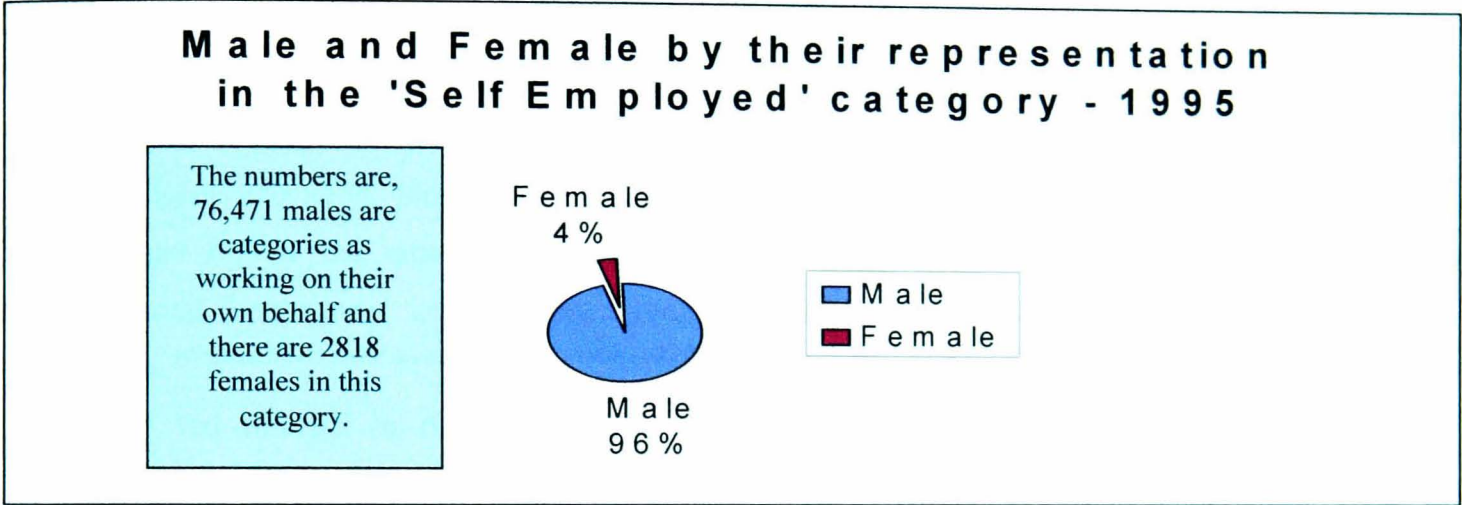
decentralisation of authority. The leaders ask the subordinates to give suggestions, present their points of view in order to reach sound, realistic decisions so as to achieve the best performance.”

And in the constitution of the UAE. This ‘team leader’ certainly understood the concept of a ‘team’ and the role of women in Islamic society and the process of participative management – which she, and others, confessed to being bypassed in their organisation. The other interesting point which must be emphasized is that the previous chapters described how the foreign workers were treated with disdain by management. Notwithstanding the dictates of the Holy Koran, there is little consultation with foreign workers and also little or no motivation for them to improve their performance and productivity. Although the local women workers did have a performance appraisal once a year and their KPIs were reviewed regularly, they were not consulted in the decision-making process and they had little input into the management of the so-called team members. As the interviewee quoted above said, “As a team leader, I do not lead anyone”. This key informant was one of the few who had a full grasp of management theory and she certainly knew the theory relating to team building; but she wasn’t given the flexibility to use her knowledge. One must concur that although the women do get access to the enhanced terms and conditions of service, which foreign workers do not, there exists a large gulf between the local men and local women in terms of their job satisfaction. This question was put to all 20 women ‘team leaders’. Only 3 said that they had sizeable job satisfaction.

The evidence both from these 20 team leader interviews and from the key informants interviewed for this study, that there exists some resistance to the employment of women among some groups and individuals in UAE society. Some men, for example, are opposed to women working at all, whilst others will permit them to work only in jobs in which they do not come into contact with men or that they are not superior to men. 16 out of the 20 women said that they are intimidated by the thought of being the line manager of an older man. These attitudes are, however, being slowly eroded, but the evidence from the women themselves suggests that the process is a slow one and the attitudes are extremely pervasive. A point illustrated by the comment of a senior (male) manager interviewee (Hyder) who suggested that women have a hard time during pregnancy and many of their colleagues feel that they do not ‘pull their weight’. And when the time comes for their delivery, they leave the

organisation completely and plan to become self-employed when they return to work. (A comment from a male manager that confirms a female interviewee's comment.) This, the manager suggests, is a result of a 'guilt complex' by the women who find it hard to take their statutory maternity leave entitlement and then face their colleagues on return. It must be said that the data, as it exists, doesn't particularly support this contention, as the following table suggests:

**Table 45      Males & Females in the Workforce - Employers' and 'Working on Own Account'- 1995**



It is clear from Table 45 that the percentage of women represented in the categories of employers and self employed is minimal and does not support the view that women are embarrassed to return to their work after taking their maternity leave.

**12. Education, the Key to Cultural Change**

Education is considered to be the key element in promoting the necessary skills for social and economic development. Free education is provided for all UAE citizens. The existing educational structure, which was established in the early 1970s, is a four-tier system covering 14 years of education as follows:

- |                         |                |
|-------------------------|----------------|
| 1. Pre-school (nursery) | (4-5 years)    |
| 2. Primary education    | (6-11 years)   |
| 3. Intermediate         | (12-14 years)  |
| 4. Secondary            | (15-17 years). |

Primary school education is compulsory for all UAE Citizens. The total number of students in Schools of the Ministry of Education & Youth is represented in Table 47 below.

Worthy of note from Table 46 is that the female attendees of Ministry schools attended by the female population of school age represent about 51 percent of the total. But in the secondary school citizen's category, there were 13,560 male attendees and 21,428 female attendees, which represents over 64 percent of this category. This can be illustrated by taking the year 1980-81 as a base year and about 60 percent of Emirates students who began their schooling in this year went on to enter higher education. However, a disproportionate number of females may be accounted for by the citizen males of the secondary age attending industrial, agricultural, commercial and religious schools that do not accommodate female students. (Adapted from *Annual Statistical Abstract*, 1998-1999, Ministry of Planning, Table 13/4, p. 353.) This ratio is later fed through to the higher education system and young men at the undergraduate level going abroad to study for a first degree cannot account for the differential. Some do (fewer than previously), but the differential is present long before the age of university entrance. The reader should also be aware that the category of 'non-citizens' will not be educated in Ministry of Education schools, but in their own 'national' schools.

**Table 46      Students in Ministry Schools by Citizenship and Sex - 1997/98**

Nationality and sex	1997/98
Male – Citizens	99,527
Female – Citizens	105,303
Total – Citizens	204,830
Male – Non-citizens	52,198
Female – Non-citizens	49,613
Total – Non-citizens	101,811
Total – Citizens and Non-citizens	
Males	151,725
Females	154,916
Grand Total	306,641
% Citizens	66.8

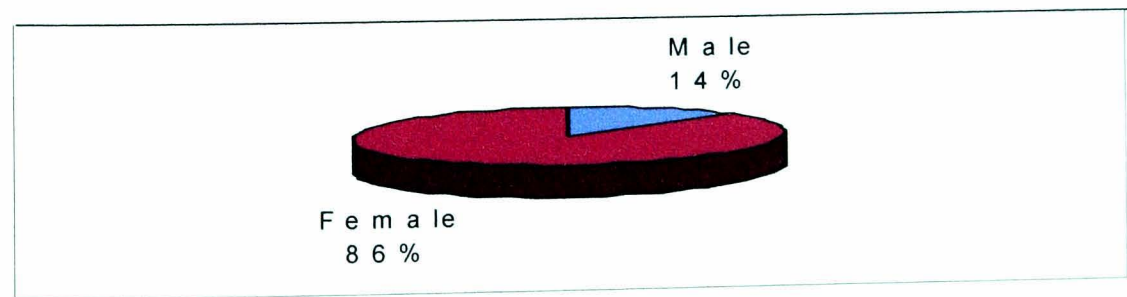
Source: Adapted from *Annual Statistical Abstract*, 1998-1999, Ministry of Planning, Table 13/4, p.354

13. Professional Representation

Over the course of the past few years, a number of achievements have underlined the progress made by the women of UAE and women are now emerging naturally as tertiary students, teachers, doctors, workers and leaders. The first locally-trained women doctors graduated from the Faculty of Medical and Health Services of United Emirates University, the first woman pilot, graduated from Dubai Aviation College and the first professional women soldiers passed out from their basic training in the Armed Forces, all entering professions that 20 years ago would have been closed to women. For example, in 1997, there were 123 students enrolled in the UAE University Faculty of Medicine and Health Sciences. Of this total, 41 were male and 82 female, women occupying about 67 percent of these places. All of the places went to citizens of UAE and there were no non-citizens enrolled. *(Annual Statistical Abstract, 1998-1999, Ministry of Planning, Nos 23-24, Table 13/17, p. 374.)* The totals for all national graduates in all the UAE University Faculties in 1998 were Male students 422 and female students 1883, which makes an impressive total for female students of 86 percent. Table 47 illustrates this point most graphically.

If we look at specific faculties, in 1998, 28 students were studying Medicine and Health Sciences of which 19 were female. In the post-graduate category in 1998 there were 39 students of which 22 were female. All of the above data were recorded as ‘citizens.

**Table 47      Proportion of Male to Female Graduates, UAE University, 1998**

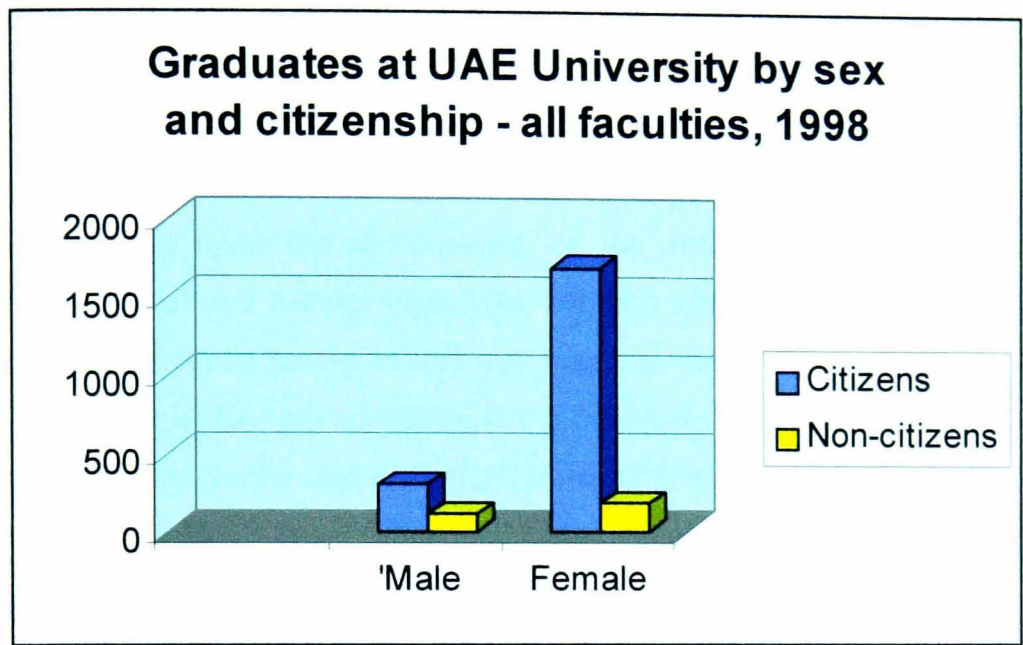


The women’s category in Table 47 includes 185 women non-citizens out of a total of 1883 women. For the men, out of a total of 422, there were 116 non-citizens. This provides an interesting point. The women citizen graduates represented 73.67 percent of the total graduates, whereas the men citizens represented just 13.28 percent of the



total graduates. A pretty striking contrast! This data can further be represented as follows:

**Table 48      Graduates at UAE University by Sex & Citizenship, 1998**



Source: Source: *Annual Statistical Abstract*, 1998-19 Ministry of Planning, Nos 23-24 , Table 13/18, p.37599,.

Women also form a large part of student enrolments in Higher Technology Colleges (HTC). In 1996 there were 4,176 students enrolled at the higher technology colleges in UAE out of which 2,336 were women. By 1997, female enrolment had increased to 3,027. Several of the women interviewed for this chapter and quoted above were educated at HCT, but nonetheless, although specialising in technical subjects, they are still confronted by the ‘glass ceiling’. Another female interviewee who said in interview that she had to, as part of her job as an Occupational Therapist, interview men who are older and more senior to herself. Frequently, these men decline her services or ask for one of her male colleagues. Although she is a professional worker, she accepts this as part of her traditional culture. “Often men are not used to seeing women at work” she said, “It has nothing to do with their lack of confidence in me, but it is just strange to them to be asked questions by a young female.”<sup>Occupational Therapist in semi-structured interview</sup> It is noteworthy that not one of the women interviewed, had ever heard of the concept “the glass ceiling”.

The salient point here is that it is not the changes made to the role of women in UAE society, or that even changes are taking place, it is the pace of change which is the phenomenon of this rapidly changing state. Instrumental in anticipating the need for

change has been the Rulers of the various emirates and the foresight, which actually drives their enthusiasm. The catalyst of these changes, which represents a '*quiet revolution*', has been education and, as we have seen, today women dominate the UAE's higher education establishments forming over 70 percent of the students at the Higher Colleges of Technology and over 60 percent at the UAE University. UAE women, by virtue of their educational opportunities, are well placed to have a profound impact upon the development of the country's political, economic, educational, social and cultural objectives, but their abilities need to be utilised in both private and public sectors to their full potential. As we have seen, a test of the status of women is their representation in the diplomatic service; how the country is represented abroad. In the case of UAE, women are playing an increasing role in the Service and increasingly representing their country abroad.

The central theme of this dissertation (and its working hypothesis) is that the UAE in particular, in the short term, all GCC countries in general, will need to expand its expatriate labour force – with the onset of privatisation, diversification and globalisation. The process of nationalisation (localisation) is being impeded by entrenched attitudes that belong to a bygone age and have nothing to do with a romanticised cultural heritage. Women are encouraged by the leadership to take up meaningful and professional employment positions, but this encouragement is diluted by the lack of senior positions being offered to them and the limited scope of employment opportunities becoming available for them. What the *Economist* regards as a 'wasted resource' (*The Economist*, 21 March 2002.) The paradox here is that women represent a large proportion of the population; the evidence suggests they are achievers, but they contribute far less to society than their strength in the community suggests. For example, on the topic of women being achievers, when interviewing one team leader about her 'career pathway', the topic of career objectives arose. It transpired that after graduating from the University of UAE in Alain, she aspired to train as an airline pilot. Her comment was that "...her father absolutely forbade it". She explained that this is because she would need to work away from home much of the time and during this time she would have contact with male colleagues. The women represent a sector of the local labour force but, it is most poignant, as one women team leader has pointed out, there are no women senior managers in the National oil Company.

It has been shown that women are represented in the Government sector and the primary research interviews that have taken place with 20 women all working in this sector and all consider that they have reached the highest level possible (as Team Leaders). In some traditional public sector areas, women are in the majority, representing 100 percent of nursery school teachers and 65 percent of intermediate and secondary school teachers. UAE women are also making their mark in the armed services and the police. There is a special Women's Corp within the military and a training college named after one of the great heroines of Arab history, Khawla bint al Azwar, has been established. The first batch of 59 women graduated as far back as 1992 after a six-month practical and theoretical training course. A six-month course is also offered at the Dubai Police Training College and the most qualified of the graduating women officers are chosen to join the VIP Protection Corps. Presently there are 20 such females in the squad. The Director of the Department says; "The Female Squad addition is vital to the crack team of bodyguards because many of the people needing protection are themselves women." (www.ecssr.ac.ae/04uae.women\_employment.htm) In the words of Her Highness Sheikha Fatima bint Mubarak, wife of the President, "...that UAE women have achieved important targets in terms of education and work. They are;

- 59 percent of women are working
- 30 percent of them occupy decision making positions
- 60 percent of them work as professionals in the education, health and nursing fields
- 35.4 percent of the employees at the Ministry of Higher Education are women
- 29 percent of the diplomatic corps at the Ministry of Foreign Affairs are women."

(Source: Quoted in *Gulf News*, 17 May, 2004, p.7)

#### **14. Conclusion to Chapter**

The cultural change that has been suggested in this chapter must come from the 'top' (that is the Ruling Family) and it must be explicit and manifest. As with any form of



top down management, those at the top should not only encourage the changes but be seen to support them by changing themselves. We have seen that this is actually happening in UAE and in this context one is minded of the work of Sheikha Fatima and the example of Sheikha Lubna. There is still, however, considerable resistance and dissatisfaction with the changes as this is partly due to the present state of satisfaction with the society and affluence it enjoys today. Unlike their leaders, they do not look at the future and the need for proactive change, “Why change, we are doing OK as we are now?” was a frequently heard comment during the interviews. People need to be ‘*unfrozen*’ out of their state of complacency, the leaders need to identify and surface dissatisfaction with the proposed changes (in relation to the role and status of women) and guide them incrementally out of their inertia. (See Lewin 1947, Bennis et al. 1973, Pugh, 1993.) In addition, Rulers need to take cognisance of Pugh’s four principles and six rules on planning and managing change (Pugh 1993) and positive discrimination will be essential to enable women to carry out their responsibilities as wives and mothers and to take advantage of the career opportunities which present themselves. As has been shown, this can all be achieved within the boundaries set by the Holy Koran. The arguments against working women have therefore, on the grounds of tradition, proved fallacious.

It is clearly the long-term aim/goal of the rulers of UAE and the rulers of each of the Emirates, to establish equality for women. That is not only equality before the law and constitution that exists, but also equality in attitudes, culture and behaviour. Clearly, this chapter, and particularly the primary research based on personal interviews, has demonstrated that constitutionally, legally and morally women are regarded as full and equal citizens. To date, this formal position has not been translated into labour market practice and career opportunities for women, both numerically and qualitatively. Today, in UAE, women have the choice, to work or not to work, but if they decide to work, with no exceptions, all the women interviewed agreed, that they will not progress above a certain middle management position (and this was given as Team Leader in a majority of cases). Job share and flexible working are largely unknown or neglected concepts and yet the official view is that the ‘authorities’ should do everything possible to facilitate and reconcile the two roles (home maker and labour force participation). Handy’s ‘*Shamrock*’ Structure has not, as yet, come to UAE.

In keeping with good strategic management practice, and placement of *SMART* objectives, this chapter concludes with the following suggestions which can be called (SMART) '*Opportunity Goals*', in order to maximise the use of the UAE's human resources. These goals are firmly based on the research conducted for this chapter and, particularly, they follow logically on the aspirations expressed by the women interviewed. Without exception, these women expressed a fatalistic attitude that there was not a future for women in senior management. The *Opportunity Goals* arise out of this analysis.

### 15. Opportunity Goals

- |               |   |
|---------------|---|
| <b>Goal 1</b> | Set a target for the number of women heads of department in the public sector of 10 percent by 2005 (the date for the next official census), so that the numbers can be accurately measured   |
| <b>Goal 2</b> | Increase the number of women in the 'Law makers, Senior Officials and Directors' from 7.1 percent to 15 percent by 2005   |
| <b>Goal 3</b> | Increase women's representation in the 'Specialist and Scientific Personnel' category from 26.7 percent to 40 percent by 2005   |
| <b>Goal 4</b> | Increase the number of women serving on boards of directors (in both the public and private sectors) from virtually nil to 10 percent by 2005   |
| <b>Goal 5</b> | Provide women with managerial aspirations with the provision of development centres with a view to selecting and developing their skills and competences to their full potential (Open four development centres for women by 2005)  |
| <b>Goal 6</b> | Develop strategic initiatives on recruitment and retention to ensure that the numbers of experienced women staff leaving for any reason (but particularly for child birth) are 'exit counselled' and, in keeping with official state policy, facilitate their return as they require (Organisations and large private sector businesses of over 75 staff to employ a women's counsellor as part of the HR deployment) |
| <b>Goal 7</b> | Provide women (and men) with more flexible working practices, hours of work, job share and home working. (Not one of the 20 women interviewed for this chapter had ever heard of job share, and neither had any considered the possibility of home working for part of the time) Medium and large organisations in the public and private sectors   |

should be encouraged to carry out feasibility studies for heightening the flexibility of staff working

- Goal 8** Make statutory provision for each public and private organisation to monitor appointments, career progression and access to training and development to ensure that both men and women has equal access to specialist and managerial positions and thus avoid the 'Peter Principle' and the use of the '*wasta*' influence.
- Goal 9** Introduce legislation making it unlawful to discriminate against women and this would facilitate action in the Labour Courts – the only criteria for employment opportunities would be 'the best person for the job'.
- Goal 10** The Government of UAE to appoint a consultant(s)/advisor(s) to oversee the progress and act as advisers for employers on the procedures leading to the achievement of the above 9 goals.

Building on the considerable success that women have achieved in the last two decades in the field of education and participation in the labour force, the above 'Opportunity Goals' are a minimum that will sustain their continuing progress. Progress will also serve to raise the numerical strength of women in the labour force.

## CHAPTER 9

### DIVERSIFICATION IN UAE; A THEORETICAL CASE STUDY AND ACTION RESEARCH APPROACH IN RELATION TO LABOUR ISSUES

*“What business is strategy about – what distinguishes it from all other kinds of business planning – is, in a word, competitive advantage. Without competition, there would be no need for strategy, for the whole purpose of business planning is to enable the company to gain, as efficiently as possible, a sustainable edge over its competitors.”*

*Source: K. Ohmae, The Mind of the Strategist, 1982, Harmondsworth, Penguin.*

#### **A definition of Strategy:**

*“Strategy is the determination of the long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Decisions to expand the volume of activities, to set up distant plants and offices, to move into new economic function, or become diversified along many lines of business, involve the defining of new basic goals.”*

*Source: A.D. Chandler, Strategy and Structure, 1962, p.13,  
Cambridge, Mass., MIT Press.*

## **1. Introduction and Context**

The previous chapters have looked at the UAE culture and human resources in the context of its position within a union of nations known as the GCC. They have taken a general view and emphasised that the economy, and with it the labour force, has evolved roughly within four decades, from what was a fairly primitive agrarian economy relying heavily on the agriculture, fisheries and pearl diving, to what is a highly advanced tertiary-orientated society which, although still heavily reliant of the production of oil and gas. Nonetheless the UAE has all the hallmarks of a mature economy: a very sophisticated finance, banking, insurance and equities system, a highly developed system of trade and commerce, advanced IT and e-commerce and an impressive >9 percent growth rate in GDP at a time when the whole world is reeling under the pressure of an economic slow-down caused mainly by the events of 11 September and the war in Iraq of May 2003 (The Second Gulf War). The UAE is also characterised by an increasing influx of foreign labour. It has been argued that this labour is the resource which facilitates the economic growth of the UAE and brings unequalled riches to this small developing country situated strategically in the Arabian Gulf. To reduce this labour force will effectively reduce the momentum towards further economic growth and, it is contended, would lead to an economic stagnation and ultimately decline in fortunes.

The Annual Report of the UAE Central Bank and its statistical Bulletin for the first quarter of the year has shown that the UAE has successfully weathered the global crisis and withstood all the pressures of the worldwide economic recession. Indeed, at a time when most of the world economies are struggling to keep their economic growth in positive areas, the economy of UAE is, as we have seen, enjoying an economic growth rate on a year-by-year basis of between 9 and 12 percent. At the same time, the nation's dependence of oil revenues has declined and it should be remembered that as there is no federal taxation on personal incomes or profits in the UAE, government revenue derives mainly from these oil and gas surpluses. But this dependency has declined, mainly due to government investments that facilitated a programme of privatisation and diversification. In 1994, oil revenues comprised 76.59 percent of the total government expenditure. In 2001, oil revenues constituted

71.39 percent of the total revenues. At the same time, government expenditure increased from Dhs 54.95 billion in 1994 to Dhs 93.73 billion in 2001. (Central Bank Data, 2002, p. 32.) During the period 1995 to 2001, the population increased by 6.5 percent (which is larger than any of the other GCC countries) and by about 20 percent between 1998 and 2001. (Unpublished data provided by Director of Central Statistical Office, Ministry of Planning) Simultaneously, the labour force increased by almost 25 percent – largely by the influx of expatriate labour. The actual contribution of the non-oil sector to the GDP in Dubai is now over 90 percent, according to H.H. General Sheikh Mohammed, the UAE Crown Prince and President of the Dubai Development and Investment Authority. (*Invest Dubai*, 2003, p.14.) Currently, foreign workings are responsible for a transfer from the GCC region of some \$27 billions annually. (*Khaleej Times*, 16 December 2005, p.60)

We will return to this theme below, but the major subject matter of this chapter is ‘*diversification*’ and the emphasis will be on the form and content of diversification and its impact on government targets for ‘emiratisation’ and the downsizing of foreign labour. The contention here, once again, is that the twin policies – to diversify and attract Foreign Direct Investment whilst reducing the dependence on oil revenues together with the policy of reducing the expatriate workforce to a maximum of 50 percent by 2010, are all incompatible and, indeed, dichotomous.

In writing this thesis the author is highly conscious of the multi-cultural structure of the labour force in UAE generally and Abu Dhabi in particular. This chapter takes a number of companies and uses them as models within a case study approach. The ‘case studies’ were examined in depth and a system of evaluation that we shall call a ‘scorecard system’ has been developed as a means of an objective assessment tool.. This scorecard system is indicative of most of UAE companies and can also be applied as a measure to the business effectiveness of their human resource employment and development programmes and strategies. This puts the perceived value of foreign workers into context.

Without exception, all the companies in the case studies employed only a small minority of nationals. A brief and simplistic definition, and pragmatic one, of culture

is 'the way we do things around here', and the interviews with decision makers, from a Director of Human Resources of the largest private sector oil company in the area (and the fifth largest in the world), through General Managers and Managing Directors to Board Members of Government committees and groups for employment and training issues, provides just that. In all, over 120 interviews with senior decision makers were conducted. The objectives here were to test the attitudes and views of the most of these senior managers to managing what must be one of the most multicultural labour forces in the world. It also used the Holy Koran as a benchmark of both the cultural heritage and good management practice in relation to foreign workers; it seems that the key informants and case study companies failed in optimising their human resource potential and if the government's policy in relation to foreign workers is implemented, it will rapidly reduce the advantages that the UAE has built up over the last 30 years.

## **2. Strength in Diversity**

An understanding of the way 'things are done' and how diversification takes place in UAE is achieved against a background of a volatile external environment and a need to gain competitive advantage within a global environment. As far as justification for an analysis of the conceptual background to diversification in an ever-changing, competitive environment, one is reminded that theories such as diversification, privatisation, localisation, globalisation, emiratisation, etc. can seem cumbersome and hollow to start with. In addition, from a pragmatic point of view, the *ad hoc* 'system' of societal and community building has appeared to work, and work well, in the past few decades. It is difficult to see the point of underpinning business strategy with conceptual constructs, particularly as it has already been mentioned that the predominant culture of the UAE is 'the way we do things around here', until one appreciates the complexities of the issues being addressed. But one cannot appreciate these issues unless there is a familiarity with the theory upon which the business strategy is built. It is difficult to realise that it is only in the last decade or two that business planning and strategy in the UAE has taken on a proactive focus and the vision, motivation and guidance for this process has been provided at the very top, by the late President of UAE himself. There are counter-forces at work, one can conveniently call them 'cultural tensions' within the business community in UAE and

these centre on the imperative to retain the long-standing Arabic culture, against the need to 'fit' with WTO, ILO, GCC, UN, World Bank and OPEC, global issues including the environment, etc. westernised business practices and economic globalisation.

But first, a working understanding, an exploration, an analysis, of the concept of 'diversification' at its broadest level and why the concept is so important to the UAE economy in world markets, both now and in the mid- and long-term, as well as to the strategy regarding the employment of foreign labour. We can also see why it was important to raise the concept in terms of the Ansoff Matrix in Chapter 1.

'*Diversification*' means that an organisation grows and develops into an area beyond both current products and current markets simultaneously. The concept itself has been involved in marketing since the late 1970s when the American management guru, Michael Porter (et. al.) began to analyse the factors determining the relative competitive success of companies. (Porter, 1996, 1980, 1987, 1998) Porter's conclusions, as outlined in his '*generic value chain*' are based on the theory that the focus for strategy should be the external competitive environment, much like the general in warfare who is continually researching and second-guessing the enemy's strengths, weaknesses and tactics. Generals are expected to access the trends of history, the prevailing weather conditions (think of the consequences when both Hitler and Napoleon underestimated the Russian winter), the strengths and weaknesses, threats and opportunities available to their own forces, and other significant factors before resolving or executing a particular move. Modern business planning is similar; it needs the capacity to have the knowledge of a huge volume of internal and external information before engaging in strategic planning. In these circumstances, it is most surprising that the government is focused on reducing the numbers radically of foreign workers and this policy, in the light of the theory as well as the practice is difficult to grasp.

As we have seen, "*Strategy is the determination of the long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals*". The concept of looking beyond the internal environment is a concept alien to the culture of UAE. This has traditionally been a



culture of strong government, strong management and trading partners who needed large quantities of oil-based products. With diversification and its accompanying privatisation, the economy has had to cope increasingly with the five forces as portrayed by Porter and the pace of change in terms of globalisation and the volatility of the price of oil. The 'race' to diversify (particularly in Dubai and Bahrain) is apposite to Porter's *Generic Strategy*.

### 3. Towards Competitive Advantage

On the topic of benchmarking for heightened competitiveness, a General Manager in one of the case studies, in a semi-structured interview situation, is most informative on the issue of competitiveness and the provision to customers of 'added value'. The G.M. of Al Masood Oil Industry Supplies & Services Company (MOISS), without mentioning the companies that are 'benchmarked' provided the following statement in answer to a question, 'How will you compete on the global market?'

"Our in-depth *knowledge* of local business practices, laws and constitutions qualifies us as one of the *leading authorities on trade and commerce* in the UAE. Firm business relationships have been built worldwide on our *reputation* as a reliable business partner and equitable associate.

Our experience with the local and international markets allows us to promote trade to the full satisfaction of our clients, offering them our reliable services, enhanced by *continuous feedback* from customers and *proven field performance* throughout the region. Our *commitment* to the industry, with our strong *combination of experienced engineering and sales teams* working closely, makes us best able to provide our clients with *first class products*, exceptional service and ultimately satisfaction. We are committed to *traditional business ethics* to ensure the *trust and loyalty* of clients.

In a nutshell, MOISS service is based on four characteristics:

- *Reliability*
- *Quality*
- *Competitiveness*
- *Unmatched service*

Like all of its sister firms in the Al Masood Group, MOISS working philosophy is the *total satisfaction* of its clients and it keeps a working eye on all that its competitors are doing.

Through *relentless dedication*, expansion of its international network and its policy of maintaining unsurpassed excellence in all fields of endeavour, the group is well prepared to meet the challenges of the 21<sup>st</sup>. century.”  
(Author’s own emphasis)

Selected words (concepts) have been italicised and it is not difficult to understand how this particular company maintains its position as market leader in the region that is subjected to a considerable amount of international competition. The GM is providing added value but in order for this to happen, it is essential to qualify and quantify to ‘value’ provided by competitors. Nonetheless, this company employs a large number of foreign workers. It provides little staff development for them and doesn’t carry out routine appraisals, skills gap analysis or career guidance. Little team work exists in the true sense of the word, and foreign staff are rarely consulted at the decision-making process stage. Like the case study which was the subject of the 1000 questionnaires, no effort is made to motive them to higher performance. In these circumstances, it is difficult to see how company such as these can provide

- *Reliability*
- *Quality*
- *Competitiveness*
- *Unmatched service*

Another interview was conducted with a local; Sultan El-Haji who is the Director of Human Resources of what is the fifth largest oil company in the world based in Abu Dhabi. Locally, the company, TotalFinaElf employs 677 staff of which 18 percent are local and the target is for this to increase to 25 percent in three years. But as we are considering the concept of ‘diversification’ and the place of the foreign workers in the new economic order, the aetiology of the term is ‘diverse’, then there is an excess of 30 different nationalities as defined by language and, according to Mr El-Haji, about 2.5 to 3.0 percent of the payroll is allocated to training; much of this training relates to HSE (health, safety and environment). Technicians are recruited from the world over and there is no discrimination between nationals and expatriates. “Family

benefits are the same whether you are the GM or the coffee boy,” claimed Mr El-Haji, but foreign workers do not qualify for the same benefits as locals.

The Company operates an induction programme called ‘*Mahaba*’ which, in Arabic means ‘welcome’, and this programme embraces:

- The cultural environment
- The organisational structure, vision, corporate objectives, values, mission, etc.
- Departmental issues, and
- Specific job skills.

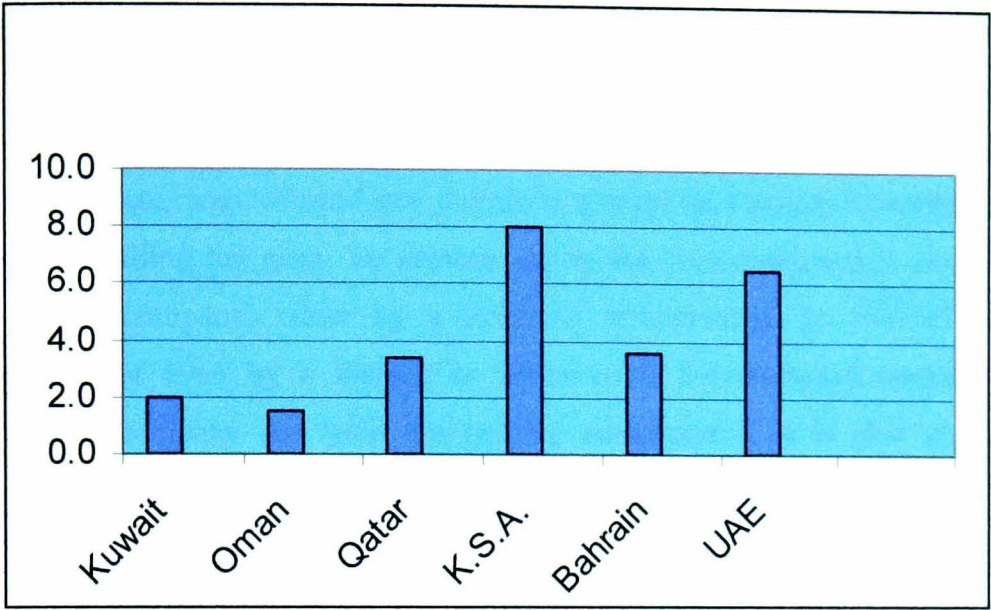
This Company fared among the best of the case studies (with a +3) in the *Organisational Change Profile* and this is to the credit of the Director of Human Resources who has great insight into behavioural change and staff motivation.

Diversification, as we have seen, relies on new products in new markets. A simple model known as the ‘Ansoff matrix’ can represent this and can be found in Chapter 1. This theory includes four discrete segments, the positioning for which require considerable market and product intelligence and planning.

Chapter 1 presents the Ansoff Model and highlights corporate growth strategies that, in a centralised economy such as UAE, can be applied to State strategies and seen from a macro-economic perspective. The UAE government is targeting a number of business sectors for expansion to attract FDI and replace the dwindling oil revenues. One of the areas is the construction industry that is increasing by approximately 15 percent per annum. But it is also the area that spends about 6.5 percent of GDP (as can be seen from Table 50) and its workforce contains approximately 98 percent foreign workers. The expansion of this industry is vital in the run down of oil revenues yet, as has been shown in previous chapters, locals will not agree to take up employment in this private sector. We have the example of the Bahrain situation where the government established what the trade complained was an impossible quota (15 percent nationals) and also the research undertaken by the University of the

UAE which, when applied to the construction industry, the work is ‘not suitable for nationals’.

**Table 49      Construction Industry Expenditure as a % of GDP, 2000**



Source: Unpublished data supplied by Director of Central Statistical Office, Ministry of Planning, *UAE Economic Variables*, p.15

The ‘knock-on’ effect of this is the increased use of building materials and the traders who trade in such commodities hold a considerable broad product range; plumbing, building, decorating, electrical, carpentry, and air conditioning products. The essence of these trades is the immediacy of demands, particularly in this age of JIT (just-in-time) stock control. If items required by contractors are not available at very short notice, they will switch to a supplier who holds a more comprehensive range and can satisfy immediate demands. In this example, a plumbers’ merchant expanding to become a builders’ merchant is offering a new product range to trades people who, in the main, will have been the same customers that they supplied as plumbers’ merchants. This is product development – new products, same customers. It is clear from this process how the country benefits financially. The Construction industry is in the private sector and relies of investments from overseas. Examples can been given, such as the Marina Development, Palm Island, The World, Burg Al Arab, etc. and all these have been largely funded by foreign capital, on the theme of product development, this capital is circulated around the various segments of the construction industry and so facilitating further investment and (notionally) increased employment opportunities for both local and foreign workers.

Product development should be considered as an important element in business strategy. If after careful evaluation of the range of products offered, the organisation concludes it is at a disadvantage compared with the competition, then the strategy should include a 'rolling' (on-going) review by its corporate planners. Failure to supply a complete range of products, therefore, stimulates a search by customers for the means of filling the gaps. To prevent losing the customers, action needs to be taken by the company, either by a licensing arrangement, by internal product development, or even by a merger or takeover, if the company possesses that capability. A company can gain competitive advantage if it is able to identify opportunities for new product development (or product enhancement) for its customers and can respond rapidly.

There is, however, an added dimension and that is competing against fellow members of the GCC. For example, both Dubai and Bahrain claim to be the centre of the world trade in aluminium and both also claim to be the hub of finance and banking services in the Middle East. These areas are part of the same Free Trade Area (GCC) and the GCC's constitution contains a clause that advocates cooperation rather than competition. However, in order to gain competitive advantage and added value, there must be a programme of cost reduction to make the goods or services more attractive to global markets. Also quality of the products or services need to be continuously improved. It is incomprehensible to suggest that the competitiveness can be achieved by using more expensive labour or the quality can be increasingly upgraded by using a workforce without training and motivation. Where does the government's policy 'fit' with the reality of these issues?

#### **4. Diversification and the need for Foreign Labour**

The final quadrant of the Ansoff Matrix is '*diversification*' – new products new markets, which is one of the most important and risky elements in the new global order of UAE commercial activity. The quotation by Chandler on the first page of this chapter summarises nicely the relationship between diversification and business strategy and this process is apparent in the area and can be seen in a number of ways:

- There is a conscious move by all governments in the GCC area to reduce the dependence on oil and gas revenues
- This involves a greater emphasis on privatisation to facilitate the profit motive for investors
- Increased need for foreign investors and investments to offset the dependence of oil and gas revenues
- Easing and liberalisation of financial restrictions to attract foreign investors and provide greater flexibility in banking services
- Increased diversification as the customer base expands and local business managers seek to exploit the increased opportunities
- Local companies strategically planning product and market development to exploit the new opportunities

All of these elements come together in diversification and can be seen in a two-fold analysis; both objectively and subjectively (by researching the case studies).

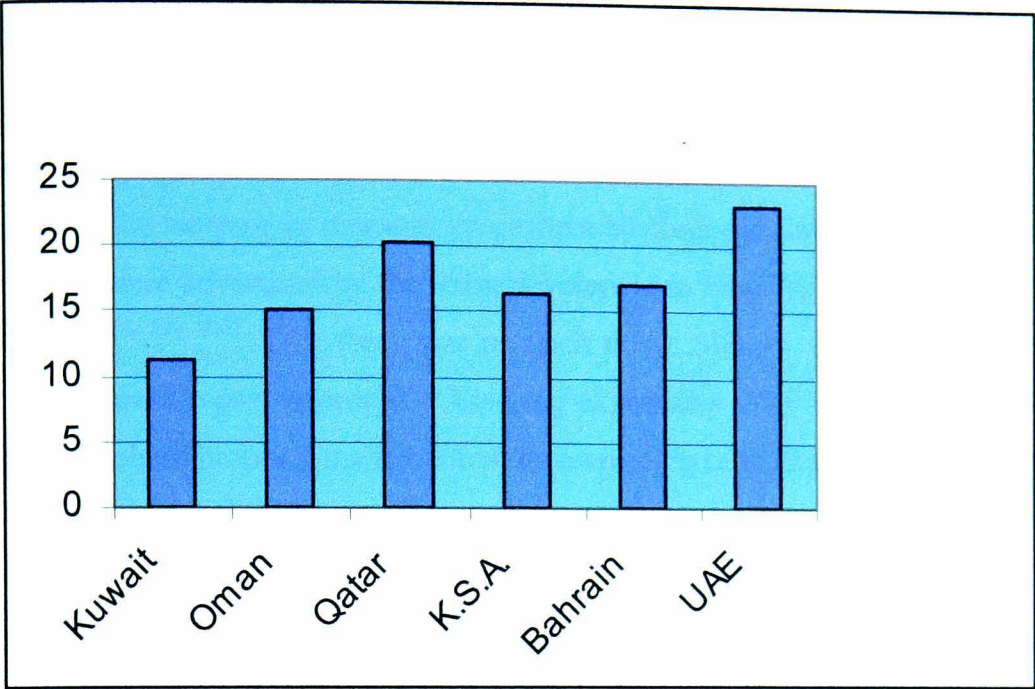
One indicator for the extent and success of diversification (in terms of GDP) can be seen from the degree of investment (the attraction and accumulation of capital for investment) in the UAE compared to other states in the GCC area. Once again, official unpublished figures are available for the year 2,000. These data can be seen in Table 51 below. It will be seen that, relatively speaking, the UAE has the highest level of investment (relative to GDP) in the GCC area.

## **5. Investment and Labour**

It will be seen from Table 50 that in the UAE, gross capital formation accounts for almost a quarter of GDP, by far the highest total within the GCC 'common market'.



**Table 50      Gross Investments as a % of GDP in GCC Countries, 2000**



Source: Unpublished data supplied by Director of the Central Statistical Office, Ministry of Planning, *UAE Economic Variables*, p.15

In interview, H.H. General Sheikh Mohammed, possibly the main progenitor of reform in Dubai, was asked: “What are your views on the Middle East’s potential to create and investment friendly climate?” He responded:

“The Lower Gulf area has already done a lot to create a pragmatic, business-friendly environment that’s multi-cultural, encourages prosperity and presents a sensible approach to life and business. Led by Dubai, the Lower Gulf has made huge strides in this area. They have done very well.”

But he continues by pointing to weaknesses that still persist:

“Still, there are issues that the region needs to address...One area that should be addressed is the need for more transparent and clearly understood legal system. That really helps inward investment and perhaps there could be flexibility in future in the laws related to sponsors and partners (This relates to locals having to own 51 percent of the equity).”

(General Sheikh Mohammed, Crown Prince of UAE, in an interview reported in *Invest Dubai*, Vol.1, Summer 2003, p.52)

Certainly, apart from the concessions within the Enterprise Zones, this 51:49 percent ratio is one of the greatest disincentives to FDI. By their very nature, global investors are innovators, visionaries and entrepreneurs, and there is fundamentally a

contradiction in encouraging inward investment and then the government's insistence on surrendering over half the company to a national without any input. Similarly, a senior partner in a large law firm in UAE said in primary research interview when discussing the increase in property investment by foreigners that although residential properties were advertised by the Palm developers in May 2002 as 'freehold' (See *Law Update*, Issue 136, July 2002, p.12.), there was no such thing. Shortly after the interview, the following press report appeared, "Assuring expatriates who have been investing in Dubai's freehold property market about the ownership of their freehold property..."

"Dubai's property market is witnessing a boom with large projects attracting foreign investment into the local economy. However, due to strong growth in Dubai's property market, the emirate has extended the freehold ownership facility to expatriates before issuing the law. We do need a law to formalise expatriate freehold ownership of properties."

Abdul Rahman G. Al Mutaiwee, Director General of Dubai Chamber of Commerce and Industry (DCCI), quoted in *Gulf Business News*, 27 February 2004, p.33

What the Director General of the DCCI is saying is that a law will be issued retrospectively, retrospective law making does not have a good record in any part of the world. (*Law Update*, Vol. 136, p.12.) and all of the property (such as the Emaar Marina Development, Palm Jumeirah, Palm Jebel Ali, Emirates Hills, etc.) has been sold with the freehold. That was in 2004 and to date (December 2005), no law has been passed. The following report appeared in the *Khaleej Times* (December 2005):

"Abu Dhabi – The bye-laws of the landmark free property law may be enacted as early as 2006, a senior government official said. This would enable expatriates to own freehold properties on a 99-year lease. ... Speaking to a gathering of Australian and Iraqi business councils here, Ahmed Ali Al Sayegh, Chairman of Aldar Properties, said that the law had been instrumental in multiplying the scope of property development in the emirate."

(Source: *Khaleej Times*, 7 December 2005, p. 46.)

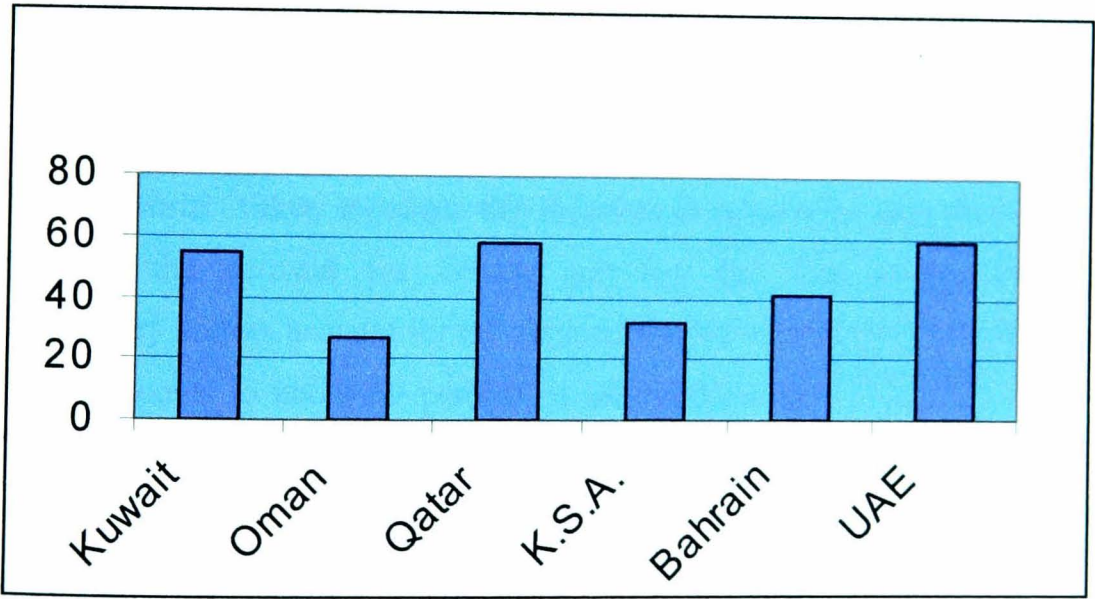
There are a number of points to be taken from this brief statement that, in effect, is absolutely meaningless. Firstly, this has been the position since the interview with the lawyer in 2002 – nothing has changed although all the property has been sold under the guise of 'freehold'. Secondly, the quotation above by the chairman of



Aldar Properties contains contradictory information. If property is offered on a 99-year ‘lease’, how can it possibly be called ‘freehold’? In fact, without such a law, the land can be taken back at any time which happened to the Hilton Hotel in Bahrain (the Prime Minister reclaimed the land and a court case followed in Geneva.) It is true that all the properties were sold very quickly, and most to foreign investors, but they were sold as ‘freehold’ with a 99-year lease. The foreign investors may have been advised by their legal advisers that no freehold law exists (as yet), but it is incongruous to have a ‘freehold’ agreement with a 99-year lease.

A further indicator of market growth and diversification is the percentage of labour force to population. Once again the UAE provides interesting comparative data. As illustrated in Table 51, UAE has the highest percentage of labour force workers to the total population that is indicative of an increase in economic activity. It should be qualified, however, by stating that the majority of this labour force comprises expatriate workers.

**Table 51      Labour Force as a % of Total Population (2000)**

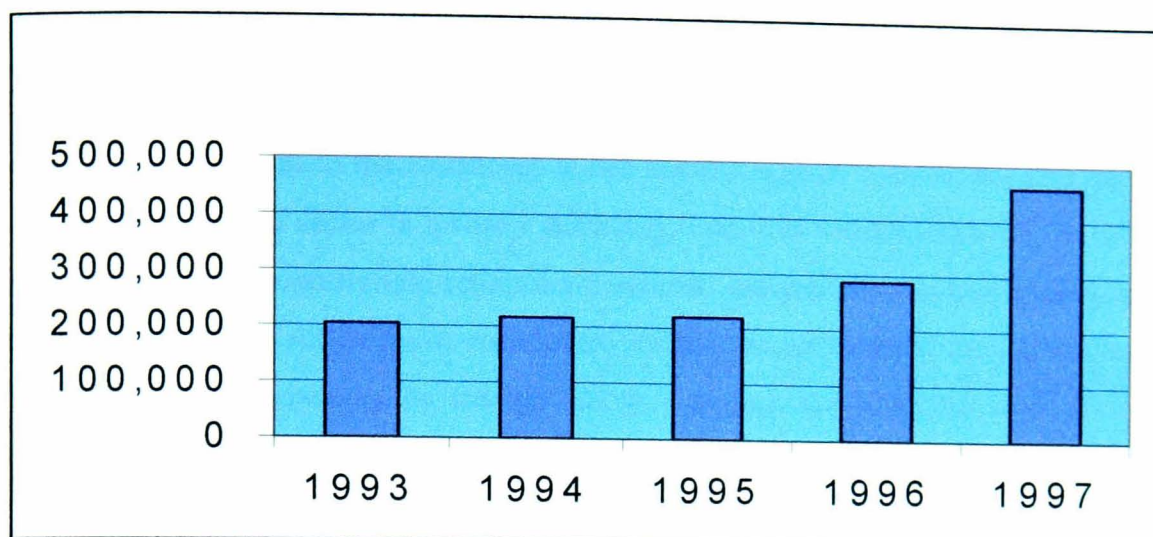


Source: Unpublished data supplied by the Director of the Central Statistical Office, Ministry of Planning, *UAE Economic Variables*, p.15

**6. Diversification of the Labour Force**

A fairly accurate insight into the growth of foreign labour (as well as to the health of the economy in UAE) is the expansion in the number of work visas.

**Table 52      Persons Granted Work Visas, 1993 - 1997**



Source: *Annual Statistical Abstract*, Nos 23-24, 1998-1999, Ministry of Planning, Table 3/28, p. 98

Unpublished data Director of the Statistical Department of the Ministry of Planning indicates that the doubling of the working population of UAE, as indicated in Table 52, has continued through to 2002 and between 1993 and 2002 it has increased by 109 percent. On average, the working population grew by 7.5 percent per year due to considerable expansion in the non-oil sector of the economy – diversification. The population during this period increased by 79 percent. This provides an average population growth rate of 6 percent per annum, which is among the highest growth rate in the world. Taken together, the shortfall in population growth vis-à-vis the increase in the demand for labour, and the fact that overwhelmingly the service/tertiary sectors account for the demand for the increasing labour needs which currently amounts to about 60 percent of all employment. (Emirates Industrial Bank Report, reported in *Gulf News Business*, 8 September 2003, p. 34.)

In fact, this same report by the Emirates Industrial Bank reveals that in 2001 the workforce total was 1,929,000 that represents an increase of 11 percent on the previous year. (Emirates Industrial Bank Report, reported in *Gulf News Business*, 8 September 2003, p. 34.)

Table 52 displays the increase in just five years graphically. The numbers of work visas increased from zero to half a million during this period alone. Additionally, the evidence suggests, that this momentum has been accelerating through the millennium and the private sectors have grown.

The significance of Table 52 and the subsequent commentary is that the growth in the work visas granted in UAE between 1993 and 1997 (the last year for official data) mirrors the growth in the economy and therefore the additional workforce required. However, the growth in the workforce is not divided equally over all sectors; on the contrary, the public sector is actually declining with diminishing reliance on the oil sector, and a disproportionate reliance on service, construction, manufacturing and agricultural labour. As we have seen, these sectors are not popular among nationals and they rely very heavily on foreign labour. One can see from the Table 52 that between 1993 and 1997 the number of work visas issued more than doubled from 204,588 to 461,705 .

This data provides evidence that the economy is diversifying rapidly and also moving away from reliance on the oil and gas sectors to the private sector. The question arises at this time is, according to clear statistical data and the aspirations of H.H. General Sheikh Mohammed, The Crown Prince of UAE, how is it possible with expansion of the service sector in Jumeirah alone of some \$30 billion investment, for the expatriate section of the labour force to be downsized (radically)? As the private sector grows transcendently, the compelling need is for the labour force to grow in parallel and locals, we have seen, do not want to work in the speculative and profit-driven private sector. The growth in expatriate labour is commensurate with the economic growth of the country. Therefore, by *a priori* reasoning, without the growth in foreign labour, there would/could not have been the economic growth. It had to be the foreign labour because locals wouldn't work in the construction industry where much of this investment is located.

We can see this process of diversification by examining some of our case studies.

The Al Shoumoukh Group of Companies is a small Abu Dhabi based company, which employs about 40 staff. Dr Ali Saeed Ameri, its Managing Director, and also Chairman of the Board of four directors (and a member of the Board of Directors of BASHARIA, (*Abu Dhabi Human Resources group*), spent over 20 years as the Public Relations Director of the National Oil Company and then he left to start his own business in 1994. The mere 40 staff belies the actual size and influence of the business as most of the activities of the group are achieved through contractors and



the growth of the business is indicative of how small businesses grow as they adapt to the external business environment. The Company itself reflects the very concept of diversification. Dr Ali's 'entrepreneurship' has frequently earned him commendations from the press <sup>(See *WEEKEND*, 20th November 1998, p.13.)</sup> and from government ministers, etc.

The business comprises six separate enterprises and these encompass wide-ranging subsidiary companies spanning health provision, education and vocational training, car hire, to offshore oil and gas supplies, services and engineering support for the nation's industrial sector. In addition, the company acts as the local sponsor (has responsibility for the activities) of a further 18 foreign owned companies (It also acts as a 'local consultant'). The Company has now taken very large premises as a supply and service base in the new industrial zone of Mussafah that will enable the business to grow and diversify to meet the needs of the expanding UAE economy. This business has grown from a one-man enterprise to its present position by the Chairman and Managing Director taking advantage of the new opportunities opening up in the area. It is interesting that his background is not in engineering or in any technical area, but as a businessman with an MBA and PhD in business and management. In interview he was asked the question, "How do you achieve the capitalisation for what must be a highly capital-intensive business", and he promptly replied, "From the bank, we have no problem raising capital as the banks know that we are reputable and our business ventures are sound." (Chairman of Al Shoumoukh International Group of Companies)

Although the Company has benefited considerably by the availability of benefits and subsidies given to nationals and local companies by the government, the Chairman, in a SWOT analysis, gives the liberalisation of financial regulations as a major weakness/threat for the future. From his point of view as a national, this means that the local market place will be opening up to competition by foreign enterprises. When asked specifically how 'the Government's fiscal reform measures will impact on small local businesses', his immediate response was "There is a need to increase quality in both goods and services in order to maintain and extend competitive advantage to local businesses." Dr Ameri, as most of the other case studies interviewees, is the personification of what Grant calls 'strategic management capabilities'. (Grant, 1996, p.380.)

It is also interesting that although the Chairman is a local from Al Ain, his staff is fully diversified. Of his 40 staff, he is the only national and there is one other who derives from elsewhere within the GCC area. 8 staff are from either the USA or UK and 10 are Asian. The remainder come from either Africa or other Arabic countries beyond the GCC area. It is difficult to see how, in the foreseeable future, nationals will replace the expatriate staff as, in the main, staff with a technical background is required and, as yet, these “don’t appear to be available at present”. Dr Ali Ameri also points out that the business will have difficulties in sustaining the present level of activities if there was not a pool of cheap foreign labour available.

An example of this taken from within the subject case studies is the Company BlackMax. The GM (Mr Riggs) revealed that there is seven staff working in the headquarters in Dubai. All seven originate from different places and none are local. The secretary comes from Mexico, the service manager is Canadian, shop hands come from Iran, Egypt, Philippines and India, and Mr Riggs is American. Significantly, Mr Riggs revealed, that he has never had a single application from a local. Another respondent, a Sheikh living in Al Ain who is the GM of a large private sector corporation, mentioned in a primary research interview that he has a domestic staff of 35 (he referred to as ‘servants’) in his villa compound, and they all come from the Indian Sub Continent. None of the 35 speaks English or Arabic – mainly Hindi.

Another case study informant was the General Manager of the Al Masood Oil Industry Supplies and Services Company (MOISS) and he is a national who has been GM for 14 years and before that was the Finance Manager. By contrast to the Al Shoumoukh Group, this is a large Company established by the present Chairman in 1971, based in Abu Dhabi and employs 387 staff. There are branches throughout the Middle East. The Chairman, when asked about capitalisation, explained that there was a surplus of cash and that the company was always seeking new investment. He continued; “As one of the most diversified suppliers of oil and gas equipment, MOISS offers a very comprehensive range of supplies and services for:

- Drilling and work over operations
- Oil refineries

- Gas and petrochemical plants
- Power and desalination plants

And MOISS depends on its solid financial resources and experienced staff to provide unparalleled professional performance in all its activities.”

Of the 387 staff, 15 nationals are employed and the MD attributed this shortage of nationals to two fundamental causes (in common with all the other interviewees, including the Chairman of BASHARIA – the Abu Dhabi Human Resources Group and a Board member of TANMIA):

1. There is a severe shortage of local technically qualified staff that are prepared to work in this industry.
2. The work is characterised by 24 hour working and ‘locals are not prepared to subject themselves to this type of work.’ (We have seen the survey carried out by the University of the UAE which confirms this contention.)

However, when asked about the longer-term future and the inexorable increase in competition from foreign companies and globalisation, his response was unequivocal:

“We have a superior company, with highly trained staff, offering high quality and highest standards of service, just what the customer wants. And our staff receives the best salaries, training and conditions.”

So far, in this brief analysis of diversification and the development of local companies to the point, in a very short space of time, when diversification is deemed to be not only necessary but essential, it appears that companies enter the diversification stage after passing through the other stages within the Ansoff Marix. This appears to be an *ad hoc* process without the necessary strategic planning which the concept encourages. But this process is less fickle than at first appears. Arabic culture, away from the world of business and commerce, is very much centred on pragmatic responses. ‘If it works, don’t change it’, and it is only in recent years, when globalisation has become a reality, that ‘things’ not only have to work, but they have to work more effectively, efficiently and harmoniously, than the competitors. As the key informant, Dr Ali Saeed Ameri, the Chairman of the Al Shoumoukh Group of Companies indicated in his semi-structured interview, “The greatest threat to local

businesses is the removal of preferential trading provision in the face of foreign competition". Part of the strategy adopted by Dr Ameri is acting flexibly as a consultant for foreign investors and in so doing benefiting from their investments and adapting to new market conditions. But organisations like Al Shoumoukh are extremely complex and it is useful to regard their diversified status as a system based on a collection of core values, culture and business ethics.

"We recognise a simple fact of life – organisations are necessary and important because they enable people to accomplish what cannot be efficiently accomplished by individuals acting on their own. The maintenance of complex industrial societies is inconceivable without the existence of large-scale organisations, together with a great number of very small organisations."

(Source: Alridge 1979, p.3)

It can therefore be seen that an organisation is far more complex than appears at first and it is worth using one of the case studies and a semi-structured interview to illustrate and simplify the complexity of the 'company system'. It is necessary, when analysing organisations, to think in 'system' terms and, as we have seen in Chapter 1. 'Systems thinking' is what Senge <sup>(1990)</sup> calls "the cornerstone of the learning organisation". The world, a sovereign country, or even an organisation, is not created of separate unrelated forces, but individuals do have difficulty in adopting the 'Helicopter View' and looking at the holistic dynamics of their organisations. Systems thinking is a conceptual tool, a body of knowledge and tool that has been developed over the past half century to make the holistic view clearer and to facilitate (make easier) the change and renewal process with the least amount of effort; effectively and efficiently. We can see a system map of a 'case study company' in Figure 8.

Arab Tanker Services is a local company started in 1986 by its present Managing Director, Mr Masoud Al Ameri, a local. It currently employs about 220 people and Mr Ameri estimates that about 5 percent of these are nationals (just 11), most of the remainder being from the Philippines. Mr Almeri is well qualified; he has a degree from Hull Marine College as a master mariner and a Diploma in Gas Technology from the Institute of Gas Technology in the UK. Before 1986, he was the marketing manager at the gas subsidiary of the National Oil Company. One can see he also

qualifies for Grant's 'Strategic management capabilities'. (Grant 1996, p. 380.) In 1986 he bought two second-hand vessels and started the business in partnership with a Japanese company. As in many of the case studies, the Company has a large presence in the Mussaffah Industrial Zone in Abu Dhabi.

In UAE, in order to trade within a particular sector, a licence is required from the Abu Dhabi Chamber of Commerce. The Company is licensed to trade in the following activities that are represented in Figure 8 as an organisational system. (Note that in December 2005, the Board of Directors of the Chamber of Commerce was chosen by free elections. Two of the key informants were candidates, one was elected and that 'key informant' was subsequently elected Chairman.)

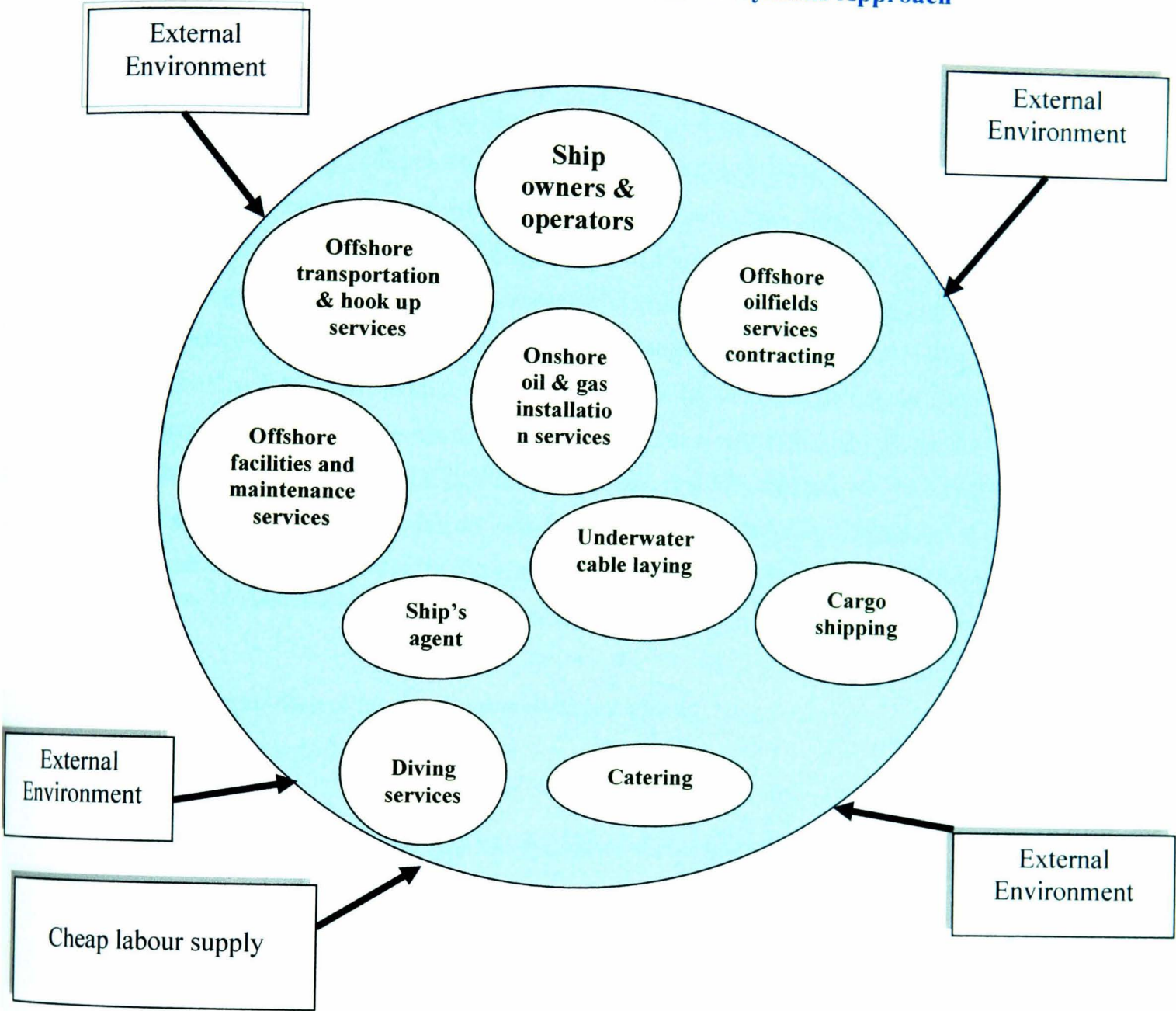
The system is contained within the boundary and each sub-system interacts with, and reflects the interdependence on all the other sub systems within the boundary. When a sub system is 'bounded' it comes within the influence of the organisation in a top-down manner. Therefore it can be reviewed, changed, strengthened, planned or even abandoned. There is no need for any directional arrows in a systems diagram as all aspects of the system impact on all others. However, there are 'influences' outside, or external, over which the organisation has little or no control. The availability of cheap labour is one of these influences and government policy is another. The availability of cheap labour is a prerequisite for all the business systems to function.

This is the internal environment over which the organisations, or the senior managers, have some control. But beyond the boundary is the competitive external environment which may be the micro or macro environment and over which the organisation has little or no control. For example, most of the case studies depend on a buoyant price for oil and gas. But the actual price is not the gift of the oil companies; it is decided by commerce elsewhere, usually in Europe. Similarly, the availability of cheap labour is not the gift of the Arab Tanker Company, but without it the company would not flourish. The evidence suggests that, even with locals doing what foreigners do now, their performance would be less than the standard required to meet global competition. Something like 90 percent of the key informants all agree that they wouldn't employ too many locals because their performance is lower than foreign



workers and the costs of employing them are much higher. In this context, the working hypothesis for this study (p.34), is all the more poignant.

**Figure 6      The Arab Tanker Services – A Systems Approach**



However, for our purposes, it is worth defining a 'system' and then use this basic definition when considering the structure of any diversified company:

“A system is an assembly of components which are brought together to achieve a stated purpose. Changes to any part of the system, will impact on all other parts (sub systems). Therefore weakness in any parts of the sub systems leads to underperformance.”

Therefore the hallmark and strengths of a system is the interrelatedness of all the sub-systems, which in management terms is both horizontally and vertically integrated. Without this integration, it will be both ineffective and inefficient (*'efficiency'* can be described as 'doing thing right', whereas, more importantly, *'effectiveness'* is 'doing the right things'). According to Peter Drucker, it is more important to do the 'right' things (strategically) than do things 'right' (operationally). One can do things right, but they need not be the most effective things to do in the first place.) For example, a large organisation such as Arab Tanker Service will, at first sight, be considered to be technology-based. However, in the competitive and globalised market, its capabilities also relate to total quality management, a management 'system' which combines decentralised decision making with extensive vertical and horizontal integration and strategic human resource management. These factors apply throughout all the sub systems and across all their product ranges and markets. Indeed, the MD stressed during the semi-structured interview, "... it not the technical capability of the organisation but the quality of Company human resources and attitudes to customers".

(MD of the Arab Tanker Company in interview)

This included:

- Experience of local and international markets
- Client satisfaction
- Reliability
- Continuous feedback and satisfaction of client/customer need
- High quality operational experience
- First class product range
- Commitment to traditional business ethics.

However, the Arab Tanker Service is a market leader in the areas depicted in Figure 8 above, but the structured interview with the MD did end with a recommendation by the interviewer for more emphasis on the HR areas mentioned above (not strictly the role of the interviewer, more of a consultant). For example, it was suggested that the sales and marketing team could adopt a proactive response to customer needs, and not simply a response attitude. It is this that provides 'added value' and competitor advantage. As the MD of MOISS put it succinctly, "It is no good reacting to problems that arise with our product or service for customers, we have to be proactive and

prevent these problems arising...” It was also revealed during the interview that the skills required by the Company are largely bought in and little specialised training is given in the areas of selection and recruitment and regular staff performance appraisal. This is usually carried out on middle management staffs that are frequently nationals, and these take place only every three years. No appraisals system exists for the unskilled staff. Similarly, the MD at MOISS expressed some very positive and convincing views of retaining market superiority in areas listed in the system diagram at Figure 5 above, and the description contained expressions such as ‘we are the best company’ (best in what way, turnover, cash flow, profit, customer service, geography, scale, growth, etc?) and ‘we pay the best salaries (how do they know, what other company working conditions are like, how about employees benefits – pensions, leave entitlement, housing, transport, food allowances, hours of work, child benefits, health and safety, office or work environment, training and career development, etc.?) It seemed that the concept of the ‘learning organisation’, as outlined below in accordance with Senge’s ‘Five Disciplines’ for a learning organisation could be adopted in all the subject organisations used for the case studies. This will provide some insight into the effectiveness of the diversified and highly complex organisational structures of the case studies. Three points emerge from this statement:

1. That although the companies are currently performing well, the external environment is forcing change on to the companies that are performing under the past circumstances. Currently, it must be said, that the economic climate is conducive to growth and this can be seen in the movement to diversification for this company. But, from the research interview, it is apparent that performance can be greatly improved by adopting basic management and motivational strategies.
2. Constant change involves continuous development (*kaisen*), which applies to all categories of staff. The weakness here is that not all categories of staff actually participate in training and development. And yet it is the very categories of staff who do not experience development, who need it the most, because they are the ones who carry out the technical and health and safety procedures. It is difficult to sustain a view that health and safety skills do not affect the staff and jobs of everyone working in a oil supplies company. And yet that is the view from this, and many others, of the case study companies.
3. The third point relates to the effectiveness of system without the motivated staff to contribute to the achievement of the company vision. Foreign workers are presently not motivated, but with a minimal input of resources, and a new

management attitude, they could be. One only has to suggest that the policies contained in the Holy Koran, if implemented, would make all the difference. But, the evidence from local key informants is that if there were a downsizing in the availability of foreign labour, (a) locals would not apply for the jobs and (b) if they did, their performance would be far below than established by the foreigners now.

## **7. The 'Learning Organisation' as a Measure of Value**

This section now turns to look at the case study companies in order to gauge their effectiveness as a player on the global scene. This is directly related to the management of their human resources and is linked to their training and motivational policies. The section produces a unique 'Organisational Change Profile' that acts as a reference by which these companies are evaluated. It takes as its basis two theories devised by creditable management theorists and a grading scale devised to test the effectiveness of the case study companies.

Senge's theory in relation to a 'learning organisation' is predicated upon the view that the only constant in an organisation is change and if the one applies this to the process of diversification – new products and new markets, then it follows that new skills will be continuously required and old skills updated (along the lines of the Japanese '*Kaisen*'). In view of (2) above, it is appropriate that some measure of the implementation should be devised to assess the implementation of these principles in company HR strategies. We need now to apply this concept to organisations in UAE and to see how far a company is competitive (and safe), within its normal operating procedures.

Senge defines the Learning Organisation as:

“Organisations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.” (Senge 1990, Chapters 1,2,3)

This theory is applied in a holistic way to all of the organisation's activities and organisations that adhere to this concept are eligible to call themselves a '*learning organisation*'. Senge came up with 'five disciplines' that, if present in an

organisational strategy, would more objectively categorise the organisation as a 'learning organisation':

**Senge's five disciplines for learning organisations** <sup>(Ibid.)</sup>

1. ***Personal mastery*** refers to the desire for lifelong learning. It is the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively. The discipline of personal mastery starts with clarifying the things that really matter and achieving what Maslow describes as '*self actualisation*'.
2. ***The creative use of mental models*** means surfacing and challenging our assumptions about the organisational world. As with personal mastery, everyone from individuals looking for career development, to managers looking for performance improvement through to senior managers looking for succession planning, ought to become involved in this dimension of activity. This concept is equivalent to turning a mirror inwards, discovery reality and subjecting the objective view of reality to rigorous scrutiny.
3. ***Building a shared vision*** is a leadership task. The vision of the future, as derived from the personal vision of a leader, must be positive, innovative, evolving, conducive to growth and inspirational for everyone in the organisation. The practice of shared vision involves the skills of unearthing shared 'pictures of the future that fosters genuine commitment and ownership, rather than simply compliance. This is the function of 'leadership' (effectiveness) as opposed to 'management' (efficiency).
4. ***Team learning*** means learning to think, learn and work together because, unless teams can learn, the organisation cannot do so, however intelligent the individual members of the teams. According to Meredith Belbin (Cambridge University), a 'team' of six can out-perform a 'group' of eight individuals.

Team working in an organisation is essential because teams, and not individuals, are the fundamental learning unit.

5. **Systems *thinking*** is the fifth discipline of Senge's book title and, in his opinion (with some justification), the most important. He describes systems thinking as involving breadth of view, intellectual flexibility and interdisciplinarity, and an ability to recognise trends and patterns in complex circumstances.

In fact, only one of the ten company case studies can truly be classified as a 'Learning Organisations' if the process of *Kaisen* can measure this.

Firstly, it is worth looking at research generally, and particularly in Europe, and then focus more narrowly on the case studies and the UAE organisations and their practices in relation to adopting the 'learning organisation' approach. Although Senge's book has been criticised as being somewhat too idealised, optimistic and prescriptive, many multi-national companies have adopted the 'concept' of the 'learning organisation'. However, there is still considerable distance between theory and practice and organisations, from a cultural point of view, find it extremely difficult to break away from the bureaucratic and autocratic structure and move towards staff empowerment – albeit, with restriction and constraints applied. Let us first look at the criticism of Senge and why, in practice, it is very difficult to implement his 'Five Disciplines'. Then we can subject our case studies companies to the theory and counter theory highlighted by this discussion.

## **8. Organisational Change Profile**

The major critic of Senge is Professor Richard Rumelt at INSEAD who draws attention to the problems of resistance to major organisational change. He describes how, in spite of the existence of extensive literature available on change management, and the availability of a considerable number of change management consultants (particularly true in the Gulf area), large organisations still find it difficult to respond to the volatility of the external environment, and this applies to the economies of the Gulf, just as much as to Europe where Rumelt was working. Rumelt found that after

dramatic changes in regulations, rules or technology, in company routines ‘the strong persistence of existing form and function’ still persisted. It is as though *organisational inertia* rules. Its causes are many and varied, but Rumelt also highlights five main areas, which he calls ‘*frictions*’ (Rumelt 1995)

1. Distorted perception
2. Dulled motivation
3. Failed creative response
4. Political deadlocks
5. Action disconnects.

In general, Rumelt’s 5 ‘frictions’ reflect the position as it exists in the employment of staff presently and Senge presents the ‘ideal’ in his ‘Five Disciplines’. However, It is worth looking briefly at each one of Rumelt’s 5 ‘frictions’ as they all relate, to a greater or lesser degree, to the case studies carried out in UAE.

1. ***Distorted perception*** refers to the way in which companies react defensively by not seeing real environmental threats, rejecting any evidence that suggests change is necessary. Just as a person who is criticised may deny their faults and project them on to others as a form of psychological self-defence, such companies have the ‘head in the sand mentality’. As one MD claimed in a semi-structured interview; ‘In Abu Dhabi we have enough oil and gas reserves to last for 200 years, why should we be concerned about balancing the national budget?’ When asked ‘What happens if alternative renewable fuels are introduced?’ he replied, ‘We will worry about that when it comes...’ As it happens, global output of petroleum products today ‘far’ exceed world demands for oil which will average in 2004 79.33 million barrels a day whereas production by Russia and other non-Opec countries will outstrip this demand by themselves. Over production leads to a fall in prices which, in turn for those countries heavily reliant on oil revenues, leads to budget deficits.

(Reuters, in *Gulf News Business*, 20 September 2003, p. 50.) There are also alternatives being developed, like hydrogen or bio-ethanol used as a fuel.

2. ***Dulled motivation*** is when the need for change is not considered to be urgent because the situation is comfortable and change represents a very costly upheaval with a high degree of risk attached. (One needs to remember that 'diversification' carries the greatest risk of any of Ansoff's four segments in terms of cost-benefits. Sometimes, of course, this is a rational reaction to the current situation but, more often, change that could improve the competitive position, is still further inhibited and become reactive rather than proactive. But also, we have seen, that the bulk of the labour force is foreign, and foreign workers in UAE do not normally get involved in staff development activities. This translates to the majority of the labour force having 'dulled motivation'. This, in turn, leads to underperformance.
3. ***Failed creative response*** happens when the planners in an organisation are indecisive; unsure of which direction they should choose for change. The decision making process has been initiated, but abandoned as being too difficult. (See Lewin's *Force Field Analysis* in Chapter 1.) Although management is urged by the Holy Koran to be 'participate management', consultation top down rarely happens and this is particularly so with foreign workers. About 78 percent of the interviewees in this research stated that consultation with staff at a lower level would not occur to them. And yet these are the people who have a responsibility for implementing the change processes.
4. ***Political deadlocks*** the concept is self-explanatory, involving entrenched differences in attitudes, interests, beliefs or values when they are so strong that they prevent change being considered seriously. These are often called 'personality conflicts', but they could be turned from destructive to constructive conflict with a creative and innovatory response arising from differences of opinions.



5. **Action disconnects** happen when it is reasonably clear what needs to be done, but somehow nothing happens. The cause can be leadership inaction, embedded routines, collective action problems or gaps in skills or competences. There are two main points here. Firstly leaders are as fond of their routines and their values as anyone, if not more so as they might have been the instigator of the status quo and have vested interests in retaining the current system. The second point is if capabilities of innovation and initiative are not usually rewarded, people may not believe they should initiate changes. They expect someone else will do it, and so routine persists.

One can see that the two theories (Senge and Rumelt) are far from each other in conceptual distance. Research in UAE suggests that few organisations (in the private and public sectors) are as positive as Senge's ideal. Most adhere to Rumelt's theory and have some inertia whilst advocating the formation of a 'learning organisation'. When questions were asked of the twenty or so case studies about various Human Resource aspects such as performance appraisal systems and empowerment and delegation, no senior manager was able to provide a positive answer the issues below:

- Were all staff subjected to an annual performance appraisal?
- No one actually understood that the primary function for 'performance appraisal' was to improve performance in the future and not to distribute company resources in the form of performance bonus or assess past weaknesses in the past?
- Those line managers who are charged with carrying out performance appraisals for their staff, do not have to attend a formal course in appraisal systems and few of them did so.
- Managers do not have an understanding of the concept of 'gap analysis' when relating to succession planning and the skills required for a particular employee continuing to do the same job for a few years ahead, or the same employees doing a different job through promotion, job rotation, delegation, etc.
- The case studies revealed that foreign workers were usually not subjected to performance appraisal and yet these were, without exception in the case studies, in the majority and the organisations stood to gain much from their development and skill acquisition.

- It has to be remembered that considerable change will be coming from external agencies over which the government, or individual companies, will have little control. These include agencies such as the WTO, ILO (See Appendix 6 for the principles of the ILO). The issue of the abolition of differentials between the working conditions of foreign and local workers will be a 'live' issue before too long.

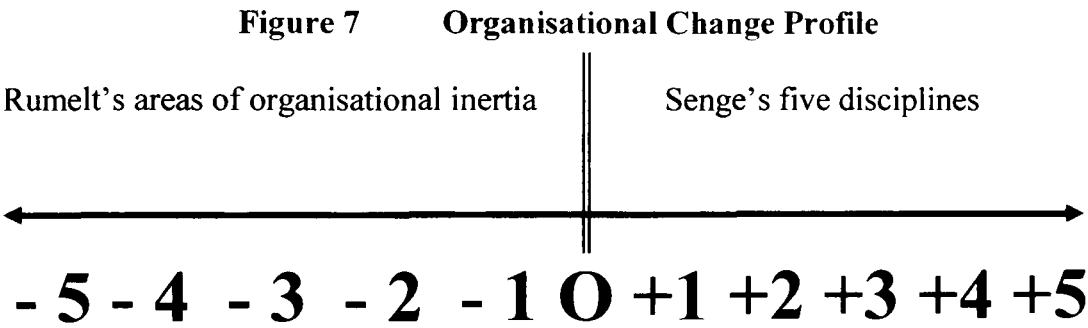
It is also a fact that the number of expatriate workers is increasing and it is these that have the middle range of skills – the artisans, knowledge workers and technicians. Private sector companies, as we have seen, without exception, employ a majority of expatriates that represent an abundant supply of cheap labour. The reasons for this are basically three-fold:

1. That the expatriates use their countries of origin as a reference group for the working conditions, amount of remuneration and benefits. As most of these expatriates are from the Indian Sub-Continent or South East Asia where salaries and benefits are extremely low, there is no incentive by local companies to invest in capital-intensive high technology innovation as long as this 'cheap labour' exists. As their contracts are all 'fixed term', many of the key informant regarded them as 'transitory' and therefore the private sector companies which employed them are reluctant to invest in training and development and, in fact, good management practice.
2. Nationals, who will demand high incomes, job security and more comprehensive benefits, with the appropriate technical qualifications and skills, are very difficult to come by and most, who graduate from the many Higher Colleges of Technology, regard this type of work as menial and consider this type of employment as demeaning. This view was expressed by a number of senior managers and one of these, representing the monopoly tele-communications company, mentioned in interview that he regularly travels to India to recruit young technicians, although there is a surfeit of these, both male and female, are following appropriate courses. It is also interesting that one of these local informants, Mr Sultan El-Haji, who is a Board Member of Tanmia and Chairman of BASHARIA (The Abu Dhabi Human Resources Group), expressed similar views very strongly. He has subsequently resigned as a Board Member of TANMIA.
3. There is also evidence that regular training is neglected (in the Kaisen meaning of development) even for locals once they have been confirmed in post. One of the key informants answered to the question "What training courses have you attended recently?" by stating "I have been doing this job for 20 years, why do I need training?" This particular respondent, as a senior manager, has never attended a course on 'appraisals', interviewing and selection', 'managing change', 'motivational skills', 'understanding behaviour', team building, etc. Training for all categories of staff is pivotal

and the organisational success and achievement of vision is dependent on the quality and quantity of this training.

In these circumstances, it is useful to compile a list of those companies which provides adequate development opportunities for its foreign workers, its women employees, its managers and its local staff. To this end, it was necessary to form some instrument of measurement and comparison and this will be discussed below.

Among the areas of primary research for this chapter was the compilation of a profile for all companies involved in the case studies. This was a profile that compared each company to the two theorists Senge and Rumelt. The ‘organisational change profile’ was seen as a continuum on a plus or minus scale as follows:



Both Senge and Rumelt conveniently had five segments each and, once again, one can be regarded as entirely positive and the other negative. So, following the primary research interviews a subjective scorecard was produced which represented +/- 5. The scorecard is reproduced at Appendix 1.

Originally, the scorecard was introduced to attempt to get an objective measure by obtaining the views of every member of staff and subject these views to statistical analysis for each question asked. The questions all related to the points raised by Senge and Rumelt, and the calculation would be easy by relating the scores from the questionnaire to Figure 6 above. So, in the study of the Bin Ham Corporation, all 1,000 employees were surveyed in English and Arabic and 450 questionnaires returned. It would have been possible to double this number had the questionnaire returns proved valid. But unfortunately they did not. To understand the reasons why,

one must understand the culture and the terms and conditions under which expatriates work.

The system of employment is one of sponsorship and if a potential employee can obtain sponsorship from an employer, they will receive a 'Resident's Visa' which is accompanied by a 'Labour Card'. The overwhelming number of Bin Ham's employees is in the manual and unskilled labour category and most do not speak English or Arabic. The 1,000 questionnaires were distributed in both English and Arabic but there are about 25 other Indian, Asian and Oriental languages. It would have been an impossible task to translate into so many different languages. Further, many of the manual labour categories of staff are illiterate, even in their own language, and so the analysis was doomed to failure by these inherent and insurmountable difficulties. However, assistance was provided for the completion of the questionnaires, should this be requested. Further, there is the unbounded (messy) problem that is more difficult to assess, of the members of staff of the Bin Ham Corporation who are extremely frightened that if they say anything negative about the Company or the Company's managers, the Company will cancel their visas. This means deportation and a ban on returning to the country for six months or a year. So it was decided that the structured interviews with senior management would provide the information to complete this particular piece of research in around the 20 case study companies.

In the ensuing analysis, 3 companies (15 percent) achieved a score of between +2 and +3. These are well on the way to becoming a 'learning organisation'. No company scored 1 and 4 companies (20 percent) scored between 0 and -2, 6 companies (30 percent) scored -3 and 7 companies (35 percent) scored -4 or -5. As it transpired, one company kept its 'vision' statement confidential from staff and stakeholders, many of the first level managers (supervisors) did not have any input in the staff recruitment and selection processes for the staff they were going to be the line manager. Neither did they carry out performance appraisal. The organisations functioned in a bureaucratic way and bottom up decision-making or feedback was not

common. In a couple of organisations, there was clearly some departmental rivalry, and it was difficult to perceive any horizontal or vertical integration. Purposeful team building was difficult to find and we have the interview of one of the women's team leaders who claimed that "there is no team and she leads no one." There was a certain amount of delegation and empowerment taking place, but little or no recognition for this. There was little evidence of meaningful job rotation, succession planning and career development. In one company, the Director of Finance and Administration was the *de facto* training manager and in another, the Director of Human Resources had no qualifications in Human Resource Management, neither had he any decision-making powers. This 'job holder' was actually an engineer, a local, who was simply transferred to the management job (Human Resources Manager), when the job became available. It also appears that the Peter Principle applies in that because a person may be, say, a good engineer, they cannot simply be transferred to become the HR Manager. They need preparation and continuous learning, particularly in the age of 'continuous change'. It is ironic that strong leadership has been a part of Arab Culture for centuries, but even the Holy Koran states explicitly the principles of what one can call good management principles; alas, these principles were not translated into practice. These 'principles' correspond to Senge's Five Disciplines: Be open and truthful, trust people and if they will be affected by a certain decision, ensure that they are involved in the decision-making processes, motivate people intrinsically, not negatively by threats of termination, build self-directed teams, not teams with managers taking all the decisions, etc.

Although the HR Director of TotalFinaElf asserted strongly and in good faith that there is no discrimination between nationals and foreigners, it is worth quoting a few passages from a promotional publication headed 'our people':

“The TOTAL Abu Al Bukhoosh workforce consists of more than 30 nationalities well supported by their dedication and know-how.

Training and development of the employees plays a major role in the Company’s policy.

It is an essential tool to upgrade, enhance and adapt the Company’s workforce to the latest modifications and technological advances available in our field of activities.

These training courses are organised, either on a systematic or regular basis, such as safety soft skills, when recommended in view of the specific needs of a career development plan or due to operational requirements.”

These are noble, commendable and positive policies, but the section continues:

“The Company puts a priority in integrating and developing UAE Nationals who are recruited from different sources such as UAE and other reputed (sic) universities, Higher Colleges of Technology, ADNOC Technical Institute.

Thanks to the availability of other TotalFinaElf affiliates, the UAE Nationals are given the opportunity to develop their experience and career by working in a wide range of foreign countries such as France, United Kingdom, Indonesia, Venezuela and Thailand.

This particular scheme of Career development is called internationalisation. Thanks to it, UAE Nationals are now part of the upper or middle management. Such practice is due to play a more important role in the future.”

(Abu Al Aukhoosh 2000, p. 26)

The information obtained from the Director of Human Resources of this Company (which must be considered as being accurate at September 2002), mentioned that there were 677 staff employed and 18 percent of these were UAE Nationals. That means that out of the 677 staff, approximately 121 were nationals who received the greatest share of the 2.5 to 3.0 percent of the overall payroll for the purposes of training and career development. This is in accordance with official policy and few would argue that Nationals should have priority when it comes to training and development. But, when looking deeper into data there are four salient points to emerge from this statement that is applicable to the Abu Dhabi employment situation generally:

1. That this policy is in breach of the ILO policy that claims that there should be no discrimination between Nationals and expatriates; indeed, the Bahrain Government was recently criticised by the ILO for adopting a similar policy.
2. It is in the interest of the Company, its market share and profitability to train and develop the staffs that are actually doing the jobs. They need to maintain the state of the art skills and competences irrespective of their nationality. It is the assertion throughout this study that training and development should be predicated on the job, not on the nationality of the job-holder.
3. It is the contention of this thesis that diversification must be accompanied by privatisation and globalisation and these three variables will require a larger amount of expatriate labour, not less. The policy of only training and developing national labour seems, in these circumstances, somewhat self-defeating – defeating the very aim that it is designed to fulfil. That is performance improvement and greater competitiveness. Ore productivity for less resources.
4. It is generally agreed amongst management theorists that ‘the learning organisation’ provides added value to output, performance, staff loyalty and motivation and retention. With something like 82 percent of a company’s labour force receiving little or no functional on-going development and the prognosis for the future staffing is that the percentage will at best remain constant, and then diversification, as in the case of many notorious examples such as Enron in the USA, will not succeed.

However, notwithstanding these inherent weaknesses in the business systems, it must be reiterated that many of these weaknesses were the result of a generation of managers who have had to cope with the large influx of foreign workers and were spoilt by the creation of huge amounts of oil wealth. The majority of them are moving slowly toward functioning in a global society and diversification for them also means empowerment and participation, kaisen, treating staff with dignity, trust and respect and avoiding the negative self-fulfilling prophecy.

There is one more point to address that involves cultural change in the business world. This relates to the image that a national will be looking for a ‘job for life, preferably in the public sector’. (Most of the senior managers interviewed had previously held positions, until ‘early retirement’, in the public sector and then set up a business on their own account.) Many public sector organisations have an extended programme of induction that can last up to three years. The employee will not have a ‘fixed’ status but rotate around different functions, different departments and training

courses and have the designation of 'developee'. In the semi-structured interviews, when focusing on the area of change management, a question was asked about employee turnover and a common reply was that managers frown upon people who had several jobs in the past and that they would query the 'loyalty and commitment' of a candidate who had done so. Once again, this position has to be seen against the context of small clusters of population and few public sector jobs to go around.

That was the *status quo ante*! However, there is a need to adopt westernised people-management practices and this involves a larger degree of 'turnover' than exists at present, from a business perspective, in order to facilitate creative and visionary change, compete globally and adhere to undertakings given to the WTO and ILO, for example. From a career development perspective, after a few years, individuals need to develop new skills, new roles, find fresh stimuli and new challenges and experience job enrichment and promotion. They need to 'grow' as individuals, which is very difficult when spending literally years doing the same job within the same organisation and with the same designation. Privatisation and diversification provides an unprecedented opportunity for locals, which it appears that they are presently prepared to bypass.

In a recent research study, researcher Robert Walters asked more than 6,000 professionals around the world: 'How long do you feel is too long to stay in one job?' Almost one-third of all the respondents, from 14 different countries, said that three years was too long. In the UK, New Zealand, Germany and South Africa, more than 10 percent of respondents even thought that two years was too long. <sup>(Robert Walters, cited in the *Evening Standard*, 30 September 2002, p.40.)</sup> Some 80 percent of the respondents in the Bin Ham survey had been with the Company in excess of 8 years. If the 'job enrichment' and promotion opportunities do not materialise for the individual, and the evidence from the 'Organisational Change Profile' suggests that it is the case, the costly alternative is for employees to move companies to satisfy the need for new challenges and up-to-date skill development. However, in the case of foreign workers, the GCC countries are attempting to limit the stay in the country for a maximum of six years, this is due to fears that the ILO or WTO will 'impose' a 'right of citizenship' to workers staying longer than this period.



## 9. Conclusions to Chapter

The relevance of the concept of diversification to the management of human resources in the UAE is immediately apparent. Just like sales and marketing, diversification means 'new products and new markets' so, for the concept of the management of change, renewal and human resources, diversification can mean 'new staff with new skills'. When this was put to a number of interviewees, the answer came back that 'the indigenous population was too small and that there were not enough large companies for the labour force to keep changing jobs'. But this is a fallacious argument because it doesn't take cognisance of the changes about to take place: such as the GCC Union and the unified currency planned for implementation within the next five years. Flexible working conditions (in keeping with Handy's 'Shamrock Structure', creative packages, profit sharing schemes, retention bonuses, golden hellos and dynamic career progression (and succession planning utilising internal staff), is just some of the ways that western employers are using to buy the loyalty of some of their staff, but it is a far cry from the recruitment and retention methods used in UAE.

One mustn't paint a too pessimistic picture of the position. Certainly the senior management interviewed are without exception of high quality and well able to understand the direction that their organisations need to go. Dr Ali Ameri has over 20 years experience at the National Oil Company as head of Public Relations. The Director of Human Resources at the fifth largest oil company in the world, has been in the position since 1983, has an MBA from Institute of Management Development, Paris, is a local Arab speaking fluent French, English and, of course, Arabic, employs (as at September 2002 at the time of the interview) 677 on-shore staff, is the HRM of TotalFinaElf and Board Member of TANMIA - national human resource committee designed to help locals to get jobs in the private sector. The experience of the MD of MOISS is almost unparalleled, having been MD for 14 years and before that the finance manager of this company employing 387 full time staff, Thomas Riggs, the GM of BlackMax graduated with an MBA in the USA and has worked for the company in the senior position since 1986, and Mr Ameri of the Arab Tanker Company a local who started the Company in 1986, now employs 220 people is

qualified with qualifications in the transportation of oil and gas and prior to his starting his business, was employed in the National Gas Company as marketing manager. These are just a few of the interviews and, with the exception of Mr Riggs, they are all nationals of UAE.

But, although there is no shortage of highly qualified nationals, at the most senior level, there is a dearth of locals at the technician and artisan level. This is where the cheap foreign labour is urgently needed and will continue to be needed for the mid-term at least. The UAE is located in the middle of what can be regarded as arid desert. And yet this is no obstacle to construction and land development – hence imaginative schemes like Burg Al Arab, The Marina Development, the Palm 1 and 2 developments, the World development etc. All unique and all built on sand and all built offshore in the waters of the Arabian Sea. There are plans for many more development and enterprise towns to be built in UAE (Director of the Office of Statistics, Ministry of Planning, in interview) and therefore, in the construction industry alone, there will be a demand for foreign workers for at least another two decades, regardless of government policies.

This chapter has introduced the complexities brought about by the process of diversification. It has tried to show that diversification involves two levels of strategy: the first is a systems approach whereby change is brought about by business planning and the implementation of strategic approaches to gain competitive advantage. The second approach is the more complex Organisational Development approach that involves people, as opposed to technology and plans. People, whether they are local or foreign, are different in that they have fears and needs, emotions and dignity, aspirations and culture. An amount of theory was introduced such as the Ansoff Matrix as an example of a tool used for the process of diversification, but it is just a tool and an organisation is made up of the hearts and minds of people, not tools. The processes involved in the next stage of business development in UAE are extremely complex and will force a move away from the existing culture in order to compete globally. Remember, that two people using the same theory will probably arrive at different conclusions using different approaches, will disagree substantially on what progress has been made and what to do next. As Andrew Pettigrew and Richard Whipp suggest: (Pettigrew and Whipp, 1991, p. 14)

“...above all, analysis, judgement and action seldom reflect the well-ordered progressions of the traditional planning manuals. The problems of recognition, acceptance and contest are legion.”

These problems not only exist, but also are being exacerbated with the expansion of the private sector.

The ‘Organisational Change Profile’ of the twenty-targeted companies, indicate that diversification in UAE is well advanced as a model for economic progress in the region, it remains now for the people management skills to catch up with the business skills input. The policy of appointing and developing people should be determined by the skills and competencies needed for the specific job that they do, not on their country of origin.

**CHAPTER 10**

**DEVELOPING LOCAL EXPERTISE: A  
COMPARATIVE STUDY - CONCLUSIONS AND  
RECOMMENDATIONS**

## 1. Link with Objectives

This study has identified a number of issues that are of crucial importance to the continued well-being of UAE society. The objectives, as outlined in the introduction (P.17) which also described this as a ‘problem-orientated study’, centred primarily on the employment and unemployment of nationals in the light of the increasing numbers of foreign workers essential to maintain economic growth in the rapidly expanding services, banking, leisure, construction, manufacturing and agricultural industries. Secondly, on the need to attract FDI to capitalise the expanding private sector whilst, simultaneously million of dollars are draining from the country annually (\$27 billion annually from all GCC states) by the expatriate workers maintaining dependents in their counties of origin. It is estimated that the rate of repatriation of considerable resources is greater than the Gross Domestic Product. It is interesting that in order to obtain a licence for the establishment of an industry in UAE, foreign businessmen have to give an undertaking to the Ministry of Finance and Industry, that 20 percent of the labour employed will be nationals (this is under 1970 federal legislation). The evidence from this research suggests that this is not enforced any longer and “no one asks about it anymore.” ( Abdelkarim, 2001, p. 274)

Thirdly, the regulatory requirement for foreign companies to obtain the sponsorship of a national and devolve 51 percent of the company equity to that national: as all companies need to be registered in the name of nationals. Fourthly, the contraction of the public sector provides fewer job opportunities to nationals, their preferred sector of employment, which leads to increased unemployment of nationals; in direct conflict with the government’s espoused policy. The evidence suggests that many of these ‘sponsors’ merely lend their name to the company. And fifthly, the underemployment of women, who represent about two-thirds of university graduates, and who are, from the evidence of this research, positively discouraged from taking up the career opportunities manifestly available in such a vibrant economy.

Finally, the primary research evidence has suggested that the educational system, the university and the Higher Colleges of Technology, cater extremely well for degree and professional level studies and basic literacy. But that is not where the labour shortage lies in UAE. The shortage is at the technician and NVQ level and the

overwhelming percentage of jobs at this level is occupied by foreign labour. Historically and culturally, the evidence reveals, technical education and training does not enjoy a high status in UAE and reference to the outputs of the Higher Colleges of Technology will substantiate the suggestions emanating from the primary qualitative research.

The first HCT was opened in the late 1980s, but to date (2001) have so far graduated only 264 engineers <sup>(Haan, 2001, p. 277.)</sup> and some respondents felt that even these lack a basic level of practical experience. Moreover, most of the technically qualified professionals end up working for the government sector (i.e. ministries and local government), reflecting the widespread preference by nationals for working in the public sector. In fact; “Very few (nationals) actually work in practical jobs in private firms and other jobs which would require them to work in the field and get their hands dirty.... There is a great need for middle level technically skilled workers but the UAE educational and training system does not yet provide for this type of training.” <sup>(Haan, 2001, p. 277.)</sup> A corollary of this shortage of technical skills would normally mean higher capital investment in technological processes and a decline in the attraction of FDI. There is no evidence of either of these elements happening. The system itself militates against investments in UAE, with the 51 percent local ownership, an investor cannot open their own bank accounts (unless a multi-national level investor) and the inability of a foreigner to own property. The reason for the attraction of FDI in UAE must be found elsewhere and this can only be the availability of an abundance of willing and cheap labour.

In these circumstances, it is difficult to see, in the short to mid term, that UAE will be achieving, or even near achieving, its targets to balance the workforce (national and foreign) in the next four years. It has also been argued paradoxically, that;

1. The employment of foreign workers in increasing numbers is essential, a prerequisite, to sustain economic growth in a globalised economy, and
2. That the employment of foreign workers is actually a positive move that will liberate nationals to train and develop in accordance with their own career and social objectives.

3. The employment of foreign labour will facilitate senior management jobs (to manage the foreign labour), once the basic management skills have been imparted.
4. That the government's policy of privatisation and diversification will 'open up' the private sector to opportunities for locals far beyond those available in the public sector – the preferred employment for locals.

## 5. Foreign Labour and Social and Economic Consequences

This study has revealed that the presence of a majority of expatriate population is problematic in six main areas; economic, social, cultural, security considerations, and demographic implications:

### i. Economic consequences and myths

- Economic progress facilitated by lucrative oil revenues, engendered rapid and significant changes in the structure of the labour market in UAE. Like all the other GCC members, the UAE labour market is dominated by foreign labour. Reference to Table 52 above indicates that between 1993 and 1997 (a mere five years) the numbers of foreigners receiving work permits doubled and between 1993 to 2002 the numbers of new work permits increased by 102 percent.
- The labour market is segmented differentially between foreign and local labour due to wage rigidities, skill differences, institutional and cultural factors. In the public sector, UAE nationals are more highly paid than expatriates with the same qualifications and experience and who perform the same jobs. This, together with job security, social status child and family allowances and other benefits, renders the government the most attractive employer to *almost all the UAE nationals*. (Elhiraika & Hamed, 2001, p.8. Author's emphasis)
- It is evident from both the 1995 census and the primary research that the rate of unemployment among nationals is increasing well beyond what is considered to be acceptable limits ('acceptable limits' is defined here as being 5 percent of the national labour force). There is no doubt that the government is unable to provide jobs in the public sector for all nationals who desire such jobs and this is compounded by nationals who are reluctant to take jobs that are considered socially demeaning. These are the jobs that are predominantly the domain of workers mainly from South East Asia and the Indian Sub-Continent and located in the private sector, particularly in service, construction, manufacturing and agricultural sectors. There is a high attraction for businessmen to 'buy in' eager cheap skilled and unskilled foreign labour rather than employ nationals who are demotivated and don't even bother to apply for these positions. In addition, the ready-made skills among cheap foreign workers make the employment of more expensive nationals who will need training, less

attractive. Indeed, the private sector relies so heavily on the lower paid, fixed term contracts, foreign labour that an official report in 2000 revealed it employs 99 percent foreign labour. <sup>(Ministry of Labour ,2000.)</sup>

- In the early days of sustained economic growth in UAE, (i.e. up to the mid 1980s), the presence of foreign labour was seen as complimentary to national labour. However, with the rapid growth in the local population of 7 percent in 2000 (see Table 43 above) and the increased educational opportunities, several labour market problems have surface in the UAE and other GCC countries. We have seen that the government is unable (and increasingly so) to provide enough jobs for nationals in the public sector and this has led to unemployment among young nationals. But there is currently little competition between nationals and locals. There also needs a distinction between 'transitional' and 'voluntary' unemployment among nationals. That is that some nationals prefer to wait for a secure public sector job than to take a lower-paid, less desirable private sector job.
- The increasing number of expatriates has contributed to increasing public expenditure on health, social services, education, housing, transport and recreation facilities in terms of establishment, maintenance and rehabilitation costs. Once again, this argument is spurious as the health and housing are firmly fixed as the responsibility of the employers (and therefore they are not state benefits, and the contribution that foreign workers make to the domestic markets and the provision of circulating capital is extensive. There is also the question of 'pushing' upwards the status of nationals. Whilst these foreign workers occupy lower status work, there becomes a need to have more supervisors and managers to oversee their work. Nationals can be employed in this (more senior) capacity – particularly in the private sector.

## ii. Social consequences

The presence of a large foreign population, especially of non-Arab and non-Muslim origin, has created a number of social and cultural and language problems associated with a divergence in customs, traditions, social values and religious beliefs between nationals and expatriates. Just one example revealed by the research was the marriage traditions. In western-influenced societies, including the Indian Sub-Continent and South East Asia, dowries are given from the bride's families to the groom. Not so in Arab society. Here, the groom pays the dowry to the bride's family.

Intermarriage, unquestionably, is a problem for the Muslim population of UAE. There are many incentives, such as the Marriage Fund and the provision of housing and business grants for local married couples. The late President was working on the more negative disincentives for locals to marry locals, such as limiting the cost of the dowries and the costs of wedding receptions. Nonetheless, it must be remembered that local women only number about a third of the local population (two thirds men) and also, most of the foreign



workers will be young single men, as the companies are loathe to sponsor worker's dependents (particularly when most are on fixed term contracts).

### **iii. Security Considerations**

In an age of war against terrorism, the Middle East is a focus for terrorist atrocities. The presence of large number of foreigners is a security hazard in terms of increased crime in the country. This is particularly so for the UAE as (a) a member of the GCC with free movement of peoples between member countries, and (b) having borders with Saudi Arabia and Iran, where many of the difficulties originate.

### **iv. Demographic Imbalance**

The influx of expatriate workers in large numbers to bridge the gap between the need for labour and the local supply, contributed significantly in reducing the proportionate share of nationals in the total population from 36.2 percent in 1975 to about 24.4 percent at the last census in 1995 and much less at present in 2003.

The drivers for increasing the proportion of expatriates resident in the country has been accelerated by:

- i. The responsiveness of the economy, particularly in the private sector, to demand for increasingly more labour.

The increasing trends in the numbers of family members accompanying their head of household. It appears that the nature of migration to the country is being transformed from one of a temporary situation, to one of permanent residence (Changes status to one of 'immigrant'). This not only increases pressures on the public services, but also in the variety of public services required.

- ii. The expatriate population is also growing at approximately the same level as the indigenous population. Therefore, with the number of foreign workers still entering the country (we have seen that the labour permits issued in Dubai doubled in 2002 over those issued in 2001), the differential between nationals and expatriates will not remain the same, but will decline and in time locals will occupy a smaller percentage of the total population.

## **2. Cheap labour or high national unemployment**

It is clear from the analysis that excessive reliance on foreign workers aggravated labour market segmentation. Segmentation is based upon foreign workers dominating in private sector businesses while nationals are concentrated in the public sectors. This is rapidly leading to an unsustainable situation when public sector recruitment

reached fiscal and efficiency limits (the laws of diminishing returns) and unemployment among nationals will increase alongside the increase in the private sector workforce. Faced with this dilemma, the UAE has adopted a mid-course of moderately restricting the entry of foreign labour and mandating the employment of nationals (there are hints that all taxi drivers will have to be locals to obtain a licence (as in Bahrain and Oman), but this has implications in global markets for competitiveness and added value. The UAE business environment is conducive to investors because of the creation of world-class industrial facilities and business support services and restriction-free movement of capital. The Free Enterprise Zones, such as Jebel Ali, which has become one of the largest industrial complexes in the world, provides a wide range of options for the foreign investor – including 100 percent ownership of investment, freehold property and a stable macroeconomic environment, favourable tax laws and political stability which all serve to make the investment climate in the UAE as attractive as any country in the Region. But, all this will be of no consequence without the availability of cheap ‘human capital’.

One must be reminded of the wage differentials between expensive nationals and relatively cheap foreign workers. The other option is the ‘open door policy’, which encourages the importation of foreign workers with the knock-on effect of potentially higher unemployment among nationals.

### **3. Recommendations**

The UAE faces many challenges in achieving sustainable growth in a globalised economy, membership of the GCC ‘common market’ and a unified fiscal currency. In view of the analysis and research provided by this study, it is not the issue of expatriates versus nationals in the labour force – both are needed and are complimentary – but the issue is more centred on expanding and diversifying the economy by using FDI. The following recommendations emerge from the conclusions above.

- The UAE is still operating rather inflexible laws by sustaining the policy of majority shareholding by nationals for each business outside the Enterprise Zones. The accepted practice has been that the sponsor acts to facilitate the pathway through the bureaucratic system of registration and will sign the legal documentation and, “... it is widely believed that in the majority of cases

Nationals combine their sponsorship activities with other work (e.g. a government job)...” (Haan, 2001, p.276.) In this instance, the UAE is behind Saudi Arabia that has recently introduced far-reaching legislation dealing with foreign investment that permits full foreign ownership of companies and real estate. Other GCC countries are considering similar legislation, but the UAE is noticeably lagging behind, a policy which will translate into a loss of investment opportunities.

- Institutional reform is needed to address the labour market distortions that have created an over supply of labour in the public sector and raise the demand and attractiveness for low-paid, low-educated labour in the private sector. Labour market segmentation by skill or nationality, or public versus private sectors is an impediment to sustainable growth and increased economic competitiveness, efficiency and development.
- To remove the impediments to investment and encourage FDI, the UAE, in common with most GCC countries, have embarked on a process of liberalisation and each investment opportunity should be considered on its own merits. It is generally agreed that the Labour Laws are too restricted and in need of urgent reform. For example, management should be able to hire and fire on the basis of competence (the ability to do a specific job to a given standard), whereas now it is very difficult for an expatriate ‘boss’ to terminate under-performing national employees. Employment practice should be on the basis of meritocracy. It may be necessary for the government to pay employers in the private sector a subsidy to encourage the employment of nationals. This system would turn out to be far more productive in terms of reducing the dependency of nationals on the ‘over manned’ public sector. At the same time, government agencies, such as TANMIA, should encourage the social acceptance of semi-skilled jobs for nationals, jobs at the technician levels.
- UAE in common with all other GCC countries has embarked on a medium term programme of privatisation of state-owned assets such as the telecommunications, transportation, local authorities (in part), power and water generation and public utilities. This strategy could be widened to create more employment opportunities for locals and enhance the attractiveness of inward investment. The domestic financial system should be widened in such a way as to be able to increase real domestic investment that, in turn, will create a much more resilient domestic market and bolster the output of international trade and non-oil exports.
- By the same token the legal system could well be refined and updated to ensure proper business incentives for national and foreign businessmen alike. The UK system of ‘Industrial Tribunals’ could present a model to be followed. A first step would be the introduction of clear and consistent regulations and guidelines. A programme of recruitment and training of specialist judges and lawyers well versed in commercial and people management law could well be initiated and

accessible to nationals and foreigners alike. There are Labour Courts, but these are intimidating for foreign workers. Further, additional mechanisms should be available to foreign investors for arbitration and advisory services which will serve to incentivise further investment.

- The private sector business must play an active role in training and development. We have seen in this study that many businesses automatically exclude expatriates from the programmes of training and development. The businesses must appreciate that there is a high correlation between quality training and increased profits and it makes commercial sense to have the 'right staff, in the right place, with the right skills, at the right time: *Kaisen* and learning organisations should be pursued in order to provide quality of service, competitive advantage and added value. This will strengthen the organisation for the local competition and globalisation.
- Employers shouldn't be penalised for employing and training foreign labour. On the contrary, they are protecting their investment whilst still contributing to the nation's economic growth and circulating capital. Much is said about the utilization of the public services by foreign workers and their families and remittances home, but little recognition is given to the resources spent by the foreign worker in shops and infra-systems that keeps them viable for the benefit of locals.
- Transportation and the mobility of labour is a major weakness in the UAE. Currently there are no railways operating in the country, although some small systems are planned. Although the employment patterns require that literally tens of thousands of staff are shifted around the country every morning and every evening: e.g. from accommodation in Abu Dhabi to factories in Mussafah or Dubai to Jebel Ali. Particularly, the bus service between Abu Dhabi and Dubai is most inadequate and the two-hour journey could be halved by having a high-speed, cheap 'light' (computerised and driverless) railway. The Docklands Light Railway in the centre of London provides just such an example.
- Banking regulations need to liberalise so that foreign investors have access to and control of bank accounts without going through a local sponsor. More encouragement should be given to foreign-owned business to go public – which is unavailable to them currently. This will serve to heighten capitalisation and further attract more foreign investment and stimulate growth and circulating capital. From a commercial perspective, one of the corporate interviewees, Dr Ali Ameri, a national, summarised this point most eloquently: "The local corporation must be ready to work twice as hard as our international competitors. First we must work as catalysts for change in our own cultures, countries and regions, and, second, we must work to build trust and respect with our global customers." The banking sector has a major role to play in the capitalisation of new enterprises. And

particularly in the investment and development of new technologies for business. In so doing, businesses may become more capital intensive rather than labour intensive, as correspondingly reduce the dependency on foreign labour by a natural process. It is difficult to apply this to any great extent to the service industries, but it certainly could be applied to manufacture and agriculture and even construction.

In view of the rapid expansion of tertiary and technical education, the relative scarcity of local labour and the abundance of capital (both local, much of which is invested abroad, and foreign) the UAE may well look to Singapore to provide a model for investment. Encouragement may be given to move investment from low-skill, labour-intensive industries to high-skill, capital-intensive industries. As we have seen, the UAE has the highest investment (as a percentage of GDP) in the GCC area. <sup>(see Table 49 above)</sup> In particular, the development and opening up of the two equities markets (Abu Dhabi and Dubai) and these should be seen as an opportunity for encouraging the return of capital to the country, broader participation of domestic investors and as an inducement to foreign investors who will bring in the much needed new technology mentioned above.

- The UAE economy is desperately short of indigenous labour and yet it currently functions with about half of the available labour force – that of women. Culturally, this will take time to change, but traditionally, Arab society, as we have seen, has a long tradition of working women. This policy is already encouraged by the country's rulers, but the employers don't facilitate 'positive discrimination. Research for this study has revealed that the majority of women interviewed did not seek promotion as it would mean working irregular hours and possibly shift work. This they found unacceptable. One of the features of the Islamic tradition is that it protects and safeguards the well being of women. In keeping with this tradition, it is a small step to provide such positive discrimination for women employees; leaving them with a choice – promotion with or without shift working. Remembering the Handy 'Shamrock Structure', and the second segment that of flexibility, it is recommended here that employers should facilitate more women working from home. For most of the 'flexible workers, there is not reason for them to occupy space in an office when all the essential hardware can be installed in their home (e.g. fax, answer phone, either desktop or laptop for email, etc.). There would have to be careful monitoring and setting of key performance indicators and work targets, but it doesn't matter if the female worker works outside 'normal working hours', as long as her targets are maintained. This facility would, in fact, save the organisation money and permit the woman to look after her family.
- The government doesn't have money of its own, but it is the custodian of the resources of its citizens and it shares out these resources as it considers appropriately. Currently, the national typically works for the public sector company; it has a non-contributory pension scheme

and child allowances, better working conditions, longer holidays, etc. The point here is that instead of penalising the employer of foreign labour, the government must be persuaded that the money it would save from downsizing the public sector could well be channelled to pay subsidies to private sector employers to cover these terms and conditions of service – the conditions that locals are enjoying now. Then, maybe, locals will be more than willing to transfer to the private sector. The information from the research interviews suggests that this is not only possible, but highly probable.

#### **4. Epilogue**

Most impartial observers perceive the UAE economy as a developing and vibrant economy that has yet to establish itself on the global scene. Its growth to date has hitherto been facilitated by its dependency on the oil and gas industries as a major source of fiscal revenues, but this dependency has exposed public finances to instability. Governments have to respond to great swings in public spending and this instability will be transmitted to the private sector. In consequence, the government has adopted a programme of privatisation of state assets and this will impact on the numbers of job becoming available in the public sector to nationals. Also, diversification of goods, services and customer will continue to attract unskilled, semi-skilled jobs and technicians. As the indigenous population increases and the jobs in the public sector decrease, there are a limited amount of choices for these nationals. They can either take up employment in the private sector or settle for unemployment. Demand for jobs will exceed supply. To take up employment in the private sector means that they have to compete with the foreign labour and this competition means both in skills and costs. Employers will not, in future, be able to discriminate in favour of nationals (as they do now), therefore the government will need to consider some form of subsidy to encourage employers to appoint nationals to vacant posts, but they won't do this if the nationals do not have the skills and competences to contribute to the organisation's corporate objectives or the cost will rise disproportionately to outputs.

This leads back to the vocational training provision. Currently nationals retain their status of 'developee' for a period of about two years. This is ample time to achieve the skills associated with the technician level. This could be achieved by 'on the job' training and it is suggested that this training could well adopt the NVQ standards. On

the other hand, Colleges of Higher Technology could also adopt full and part time NVQ courses (possibly leading to HNC/HND). Simultaneously, the country's Rulers, the government and other agencies should act to raise the status of technical work and stress that technical workers are making an essential contribution to building their country and maintaining financial stability. This should be the mid to long-term ideal. In the shorter term, the UAE will depend very heavily on a steady growth in the foreign labour force and essentially this will provide the bedrock on which privatisation, diversification, emiratisation and globalisation will ultimately succeed to reach its full potential.

## **APPENDICES**

1.     Organisational Change Profile Scorecard
2.     Key informants semi-structured interviews – design and structure
3.     Questions for key informants
4.     Questionnaire (1000 distributed both in English and Arabic)
5.     List of key informants
6.     The ILO Guidelines and Principles
7.     Select Bibliography



APPENDIX 1 - ORGANISATIONAL CHANGE PROFILE SCORECARD

Company

Name

Designation

Senge's Dimensions		
Dimension	Description	Score ( 0-5)
1. Personal mastery	The desire for lifelong learning	
2. Creative use of mental models	Surfacing and challenging assumption	
3. Building shared vision	Personal vision of leader	
4. Team learning	Learning to think and work together	
5. Systems thinking	Using archetypes and models to gain intellectual breadth and flexibility	
Rumelt's Areas of organisational inertia		
6. Dulled motivation	Comfortable, risk avoidance	
7. Failed creative response	Indecisive	
8. Political deadlocks	Entrenched differences	
9. Action disconnects	Routine continues	
10. Distorted perception	Rejects threats, head in sand	

## APPENDIX 2 - KEY INFORMANT INTERVIEWS

Key informant interviews (KII) differ from other randomly chosen interviewees because respondents are chosen on the basis of their standing, expertise and experience. This has important consequences for design. According to Tremblay, the technique is particularly useful in:

*Defining the essential characteristics of strategic issues by drawing on the personal experience and understanding of the people (decision makers) involved - the way in which such concepts as the 'management of change', or future 'orientation', are understood and interpreted in practice in the specific social, political, cultural and environmental context.*

(Adapted from M.A. Tremblay *The key informant technique: a non-ethnographic application*, in Burgess.R (Ed), *Field Research: a sourcebook and Field Manual*, London, Allen & Unwin, 1982)

### **The design of Semi-Structured Key Informant Interviews**

This technique uses the purposeful 'snowball' sampling (by which new respondents are selected for interview following recommendations of previous interviewees to whom one has already put the same questions; as the number of respondents grows like a snowball.) As a result, advance planning must include arrangements and time for further interviews. This is achieved in two ways: firstly by determining the criteria for the respondent choice in advance, bearing in mind;

- Their role, job title and position in the organisation
- Their likely knowledge on the issues involved
- Their willingness to help and potential articulateness in so doing
- Their likely perspective in the issues so that idiosyncratic issues can be controlled.

Secondly, by recording subsequent deviations from the original list of interviewees involved. The process itself needs to be recorded and subsequently written up by commenting on the likely differences this deviation might have caused to the information collected.

### **Elicitation**

Steering by interviewer to cover certain previously identified issues within a topic. Firmer direction is given by means of :

- 'devil's advocate' questions: respondent presented with an opposing view to clarify his/her position
- hypothetical questions to discover respondent's reactions in certain circumstances
- interviewer asserts an 'ideal' position, to discover how respondent sees the ideal
- interviewer offers interpretations to seek agreement and/or stimulate counter arguments.

### ***Steering***

For early respondents, the interviewer proceeds from the general to the particular, asking questions which define terms and determine broad boundaries before continuing to specific details. As the sequence of interviews 'snowballs', questions can incorporate a 'check' on the information obtained from previous respondents and look for viewpoints and alternative suggestions from the current respondent's perspective.

### ***Format***

This should be outlined to the respondent at the outset; length of interview, language in which it will be conducted, style and whether notes, recordings, etc. will be made. Also, whether the information is confidential or can be published giving sources. As far as possible, open ended questions should be used and should also be as brief as possible. There should be 'non-committal utterances' ('uh-huh' or the nod of the head) which encourages the respondent to continue on the same theme with minimal influence on the direction of the answer. It also avoids the introduction of new questions and unnecessary interruption. For clarification, the interviewer can repeat the last utterance with a questioning inflection to encourage the interviewee to elucidate, expand or develop the point made.

### ***Eliciting answers***

The content of the answers depends on the purpose for which the question was asked. It should be remembered that the reason for the interview is to elicit the individual expertise of the respondent and that the questions should be used to establish this. Thus, the respondent is not only an authority, but seen to be an authority and probing the professional background will help to establish this.

### ***Recording answers***

This should be handled as thoroughly, systematically and completely as is possible. If the interview is relatively short, it may be that hand-written notes (having received permission from the respondent will suffice, but in a longer interview, ideally, a tape recorder enabling later replay is desirable.

### ***Projective questions***

Projective questions are those which are non-specific. That is, instead of asking the respondent, say, what his or her qualities are as a manager/leader, a less direct question may be asked such as; "What do you think are the qualities required for effective leadership?" or "What are the constraints that managers/leaders must be able to handle?" The answers can be interpreted as an indication of the respondent's own experience. As can be seen, projective questioning is very context-dependent.

Questions that are looking for answers about perceptions are easiest and safest to handle; questions that are designed to elicit personal values and, particularly, motives, require the greatest amount of sensitivity on the part of the interviewer. These are the

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questions that may be best suited for the type of projective questioning referred to above.

**APPENDIX 3 - QUESTIONS FOR KEY INFORMANT INTERVIEWEES  
IN SEMI- STRUCTURED INTERVIEWS**

Name .....

Position .....

Country of Origin .....

Date started .....

Educational qualifications .....

Progress made .....

Ambitions .....

Company Vision & Business Objectives .....

**1. Number of staff:**

- Full time .....
- Part time .....
- Contracted .....

**2. Staff composition:**

- Locals .....
- GCC nationals .....
- American/European .....
- Asian .....

- African

**3. Policy regarding ratios:**

- Numbers .....
- Target date .....

**4. Training:**

- Skill shortages .....
- In house .....
- External .....
- Buying in skills .....
- NVQs .....

**5. Budget as a % of payroll** .....

**6. Terms and conditions of service:**

- Benefits
- Salaries
- Pensions
- Leave

**7. Recruitment & Selection:**

- Who decides?
- How is it decided? (only interviews?)
- Interview panel composition
- Policy regarding ex-pats. (Is it best person for the job or ‘best local’?)

**8. Equal opportunities:**

- Gender differentials within organisation?

- Glass ceilings?
- 'Positive discrimination'
- Relationship with Colleges of Higher Technology
- Work experience opportunities

9. **HR Policies**

- Staff access to policy manual
- Review
- Consultation?
- Job descriptions
- Women employed: Locals Expatriate Technical Unskilled

10. **Appraisal system**

- Bonus distribution
- Downsizing
- Gap Analysis
- Improve future performance
- Career development
- Succession planning
- Who performs the appraisals
  - line manager
  - supervisor
  - line manager's manager

11. **Contact with External Organisations**

- Familiarity of the ILO principles?

- Bahrain encouraging the development of trades unions – what is the position:
  - within the organisation
  - within the UAE

**12. TANMIA:**

- Relationship and co-operation?
- Inputs to Tamnia policy?



The questions have been designed to measure employee attitudes together with the

*The questionnaire is both confidential and anonymous*

Please return the completed questionnaire to \_\_\_\_\_

Sheikh\_Mohamed Bin Ham\_\_\_\_\_

Date \_\_\_\_\_

Length of Service	Country of Origin	Job Function
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Under 1 year	<input type="checkbox"/>	Admin/clerical	<input type="checkbox"/>	UAE National	<input type="checkbox"/>
1 – 3 years	<input type="checkbox"/>	Management	<input type="checkbox"/>	Europe/USA	<input type="checkbox"/>
3 – 5 years	<input type="checkbox"/>	Manual	<input type="checkbox"/>	Indian Sub-Continent	<input type="checkbox"/>
5 – 10 years	<input type="checkbox"/>	Engineer	<input type="checkbox"/>	Philippines	<input type="checkbox"/>
Over 10 years	<input type="checkbox"/>	Other professional	<input type="checkbox"/>	Other	<input type="checkbox"/>

I am: **Male** ☐ **Female** ☐

Please consider to what extent you agree with each statement below, both now and how you felt two years ago. (If you have joined the organisation within the last two years please leave the question on two years ago blank).

Questions		Strongly Agree	Agree	Disagree	Strongly Disagree	Don't know
GENERAL						
1. I am very motivated by my job	2 years ago					
	Now					
2. I understand how the work that I do contributes to the success of the organisation	2 years ago					
	Now					
3. My job makes good use of my skills and abilities	2 years ago					
	Now					
4. I am satisfied with the amount of work expected of me	2 years ago					
	Now					
5. I am satisfied with my working conditions	2 years ago					
	Now					
6. I can maintain the right balance between work and home	2 years ago					
	Now					
7. I really look forward to coming to work	2 years ago					
	Now					
8. I feel very secure in my job	2 years ago					
	Now					
9. I don't think about leaving the company	2 years ago					
	Now					
10. I still expect to be working for the company in 5 years time	2 years ago					
	Now					
MANAGEMENT STYLE						
11. My manager is professional & competent	2 years ago					
	Now					
12. My manager manages people well	2 years ago					
	Now					
13. My manager looks after my best interests	2 years ago					
	Now					
14. My manager manages change well	2 years ago					
	Now					
15. My manager consults me before taking decisions	2 years ago					
	Now					
16. Overall, relations between my manager and staff are good	2 years ago					
	Now					
COMMUNICATIONS						

17. The company's mission statement is communicated to all staff	2 years ago				
	Now				
18. I am kept well informed about what is happening within my own team	2 years ago				
	Now				
19. I am proud to tell people who I work for	2 years ago				
	Now				
20. I am satisfied with the channels that exist for expressing my worries about work	2 years ago				
	Now				
21. I feel that the company has an effective system for dealing with harassment	2 years ago				
	Now				
<b>PAY &amp; BENEFITS</b>					
22. I feel that I am fairly rewarded for the amount of skill and effort I put into the job	2 years ago				
	Now				
23. Considering my duties and responsibilities, I rate my pay and prospects as good	2 years ago				
	Now				
24. Employees who perform well in their jobs get better rewards and recognition than those who just meet basic requirements	2 years ago				
	Now				
<b>TRAINING &amp; DEVELOPMENT</b>					
25. I am given the opportunities to increase and update my skills	2 years ago				
	Now				
26. The company provides the opportunities to develop to my full potential	2 years ago				
	Now				
27. I have discussed my training & development needs with my manager	2 years ago				
	Now				
28. I have targets/KPIs that I have discussed with my manager	2 years ago				
	Now				
29. I am satisfied at the career development opportunities in my company	2 years ago				
	Now				

**APPENDIX 5 - LIST OF KEY INFORMANTS (INTERVIEWEES) AND  
CASE STUDIES, COMPANIES AND THE POSITION OF THE  
INFORMANT**

ABC Employment: *Business Development Manager*

Abu Dhabi Commercial Bank: *Customer Relations Manager*

Abu Dhabi Company for Onshore Development (ADCO): *Petroleum Development  
Manager*

Abu Dhabi Company for Onshore Oil Operations (ADCO): *Senior Mechanical  
Engineer*

Abu Dhabi Company for Onshore Oil Operations: *Legal & Contracts Department*

Abu Dhabi Gas Industries Ltd: *Deputy Operations Manager*

Abu Dhabi Gas Industries Ltd: *Projects Manager*

Abu Dhabi Gas Liquefaction Company (Director Public Relations)

Abu Dhabi Islamic Bank, Project Manager

Abu Dhabi Islamic Bank: *Technical Support Manager*

Abu Dhabi Marine Operating Company: *Manager Corporate Performance*

Abu Dhabi Marine Operating Company: Manager Public Relations

Abu Dhabi Marine Operating Company: Mechanical Engineer

Abu Dhabi Marine Operating Company: Planning Engineer

Abu Dhabi Marine Operating Company: *Senior Drilling Engineer*

Abu Dhabi Marine Operating Company: *Senior Planner]*

Abu Dhabi Marine Operating Company: *Lead Registration and Pre Qualification  
Officer*

Abu Dhabi Marine Operating Company:\* *20 Female Team Leaders*

Abu Dhabi Marine Operating Company:\* *Human Resource Manager*

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Abu Dhabi Municipality: *Undersecretary (His Excellency Khalifa*

Abu Dhabi National Oil Company: *Pipelines Section Head*

Abu Dhabi National Oil Company: *Senior Coordinator*

Abu Dhabi Water and Electricity Authority: *Human Resource Training Manager*

Adgas: *Public Relations Manager*

ADI: *General Manager*

ADI: *Managing Director*

ADNOC: *Human Resources Development Division*

Advisor to H.H. The President of UAE

ADWEA: *Head of Purchasing*

ADWEA: *Training Manager*

Al Buhaira National Insurance Co: *Executive Area Manager*

Al Fahim Enterprises Company: *Board Member and Business Development Manager*

Al Jaber Group of Establishments: *Managing Director*

Al Maha Consulting Engineering: *General Manager*

Al Masaoood (Moiss) Oil Industry Supplies and Service Company:\* *General Manager*

Al Mazroui Engineering Co. LLC: *Business Development Manager*

Al Menofia For Pertuzers & Chemicals: *General Manager*

Al Nasr Irrigation & Contracting Co. LLC: *Operations Manager*

Al Shoumoukh Group of Companies:\* *Chairman and Managing Director*

Al Shoumoukh International Enterprises: *Business Development Executive*

Al Shrouq Electrical Company: *General Manager*

Al Tamimi & Co: *Manager Human Resources*

Al Zeitouna Electro Mechanical Contracting Co: *Executive Manager*

Aqua Diving, Aqua Marine (Sharjah): *General Manager*

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Arab bank for Investment and foreign Trade: *Branch Manager*

Arab Oil Tanker Company: *Managing Director*

ATN Media FZ: *Account Executive*

Batelco: *Training Manager*

Bin Ham Corporation:\* *Chairman, Chief Executive*

Bin Jabr Group Ltd: *General Manager*

Bin Sagar Group: *General Manager*

Business Monitor international: *Editor, Middle East*

Black Max Drilling Tool Company:\* *General Manager*

BMT Maritime Consultants PTY Ltd: *Managing Director*

British Maritime Technology (BMT) Ltd: *General Manager*

CAFCO International: *General Manager*

Certified Oil Fields Rentals:\* *General Manager*

Cooperation Council for the Arab States in the Gulf: *The General Secretary*

Creativity Centre: *Chairman*

Creativity Centre: *Executive Manager*

Crown plaza, *Director of F & B*

Dalma Energy LLC: *Director & General Manager*

Dragon Oil Plc: *Assistant Head of Drilling*

Drill Tools: *Managing Director*

DSS: Diamant Drilling Services: *District Manager*

Dubai Municipality: *Assistant Director for Technical Services*

Dubai Municipality: *Senior Administrative Officer, Personnel Department,  
Manpower Development & Training*

Dubai Petroleum Company: *Offshore Logistics Superintendent*

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Dubai Ports Authority: *Senior Superintendent, Customer Services*

Ecoman: *Executive Manager*

Ecoman: *Executive Training Manager*

Electronic Systems International, Inc.: *Vice President, Arabian Gulf*

E-marine: *Project & Maintenance Manager*

Emirates Broadcasting Corporation: *Director of Administration & Finance Affairs*

Emirates Hospital Supplies: *Manager*

Emirates Telecommunications & Marine Services, FZ: *Projects Manager*

Environmental Permits Department: *Senior Environmental Officer, Existing Plants Section, Environmental Permits Department, Environmental Research and Wildlife Development Agency*

Eqarat: *Marketing Executive*

Etisalat Telecommunications: *Senior Planner*

Gasco and Takreer (Ruwais): *Technical Project Manager*

GCC Financial Advisor and Chief Economist NCB - Dr Saeed Al-Shaikh

General Exhibition Corporation: *Director General*

Halliburton: *District Operation Supervisor*

Harbour Maritime Services, LLC: *Director*

High Corporation for Specialized Economic Zones: *Head of Services Section*

Human Performance Technology: *Managing Director*

Imperial College of Science, Technology & Medicine, London University (Visiting Professor Goel Cohen and Faculty Member at Teheran University): *Author of the book Technology Transfer, Strategic Management in Developing Countries, Sage, 2004. Interview held September 2005.*

Insignia: *General Manager*

International Experts Centre For Management Consultation: *Marketing Executive*

International Marketing Executives: *Vice Chairman & Managing Director*

Jobs Scan:\* *General Manager*

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Knowledge Systems: *Accounts Manager*

Metropolitan Medical Marketing: *General Manager*

Ministry of Health: *Deputy Director*

Ministry of Labour & Social Affairs: *Director of Employment*

Mohammed Bin Masood & Sons Group: *Group Business Development Manager*

Mubadala Development: *Senior Project Manager*

National Bank of Fujairah: *Team Leader, Corporate Banking*

National Commercial Bank of Saudi Arabia, *Chief Economist, and Economic Adviser to the GCC Secretariat, Dr Said A. Al-Dhaikh,*

NCMT: *Executive Manager*

Noble Denton: *Senior Surveyor*

Offsets: *Senior Training & Career Development Officer*

Oman Chamber of Commerce & Industry: *Board Member*

Petrasco: Denholm Industrial Services (Dubai): *Operations Director*

Petrocopy FZCO: *Managing Director*

Prestige Suppliers & Services: *Business Development Engineer*

Promis: *President*

Quipco Industries: *General Manager*

Saadiyat Island Project: *Chairman*

Saifuddin Al Qadi International Group: *Chairman*

Shell Abu Dhabi: *Managing Director*

Spaceage Electrical Co. W.L.L: *Managing Director*

Stevens Supply International (Dubai): *General Manager*

Statistical Office, Minister of Planning: *Director*

Sultanate of Oman: *(H.E.) Head of Projects and Maintenance Affairs*



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Sultanate of Oman: *Director General of Administrative Development*

Sultanate of Oman: *Technical Coordinator*

Swuadi & Shams Co: *General Manager*

Takreer: *Technical Project Manager*

TDM, Transport Data Management: *Director*

Tianjin Pipe Corp. (Middle East) Ltd: *General Manager*

TANMIA: *Director of Employment and Skills Development Centre*

TANMIA: *Board member*

Total, Fina, Elf Oil Corporation: \* *Director of Human Resources*

UAE Ministry of Information & Culture: *Assistant Undersecretary for Journalism Affairs and Information*

United Arab Emirates Ministry of Health: *Director of H.E. Minister's Office*

United Arab Emirates: *Director, Central Statistical Department*

Vision Safety Executive: *Managing Director*

Vision: *Managing Director*

White Aluminium: *Architect*

Zakum Development Company: *Manager Field Development*

## **APPENDIX 6 - THE PRINCIPLES AND GUIDELINES OF THE ILO (International Labour Organisation)**

**The objectives are to oversee:**

- The setting of minimum standards of basic labour rights
- Freedom of association
- The right to organise
- Collective bargaining
- Abolition of forced labour
- Equality of opportunity and treatment
- And other standards regulating conditions across the entire spectrum of work related issues
- The provision of technical assistance primarily in the fields of vocational training and vocational rehabilitation
- Employment policy
- Labour administration
- Labour law
- Industrial relations
- Working conditions
- Management development
- Cooperatives
- Social security
- Labour statistics and
- Occupational health and safety.

(The Jobs Letter, ILO, Home Page, March 2003)

These 'ideals' are set against a background of labour where the overwhelming majority of the labour force comprises foreign expatriate workers. The nationals will also have to undergo a quantum leap in their attitudes to labour and employment opportunities in the wake of extended privatisation. As members of the WTO and ILO the principles enshrined in the WTO regulations are enforceable and may yet constitute a major dilemma for the Gulf States.

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